

The London School of Economics and Political Science

Development without Slums:  
Institutions, Intermediaries and Grassroots Politics in Urban China

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## **Declaration**

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## ABSTRACT

This thesis studies the institutional foundations and micro-mechanisms by which social order is regulated and public goods are delivered in China's urban grassroots communities. This study is motivated by the seemingly deviant phenomenon that massive internal migration and rapid urbanisation during China's market reforms have not resulted in chaotic and familiar third world urban diseases. Instead, relatively governed, less contentious, highly dynamic yet ultimately soft migrant enclaves contrast sharply with what often feature most developing countries. Based on the case studies of four urban villages – which categorically housed the majority of China's 274 million rural migrants – I trace the interplay among the remaining socialist institutions, dominant market forces and various intermediaries in managing migrant contestation and serving state functions. I consider both objective criteria and migrants' perceptions to explain why China's migrant enclaves demonstrate distinct characteristics compared with the migrant enclaves in many developing countries. I also consider why China's migrant enclaves share similar patterns of transformation with its formal cities. The findings contest the conventional approaches that are used to explain China's structural stability and territorial cohesion despite local disturbances and conflicts, which are mainly attributable to the authoritarian regime, state corporatism or an underdeveloped civil society. Although China's land, *danwei* and *hukou* systems are nationally configured, I argue that these institutions are also conducive to protecting an intermediate realm that comprises residential committees, joint-stock companies and clan associations by providing a safety valve and nurturing localised engagements. I then examine how these intermediaries have adopted coercion, patronage and exit-point mechanisms to deliver public goods, enforce communal order and broker urban renewal through less coercive and predatory means. I further assess the ways in which these engaging but parochial, resourceful but dependent, and exclusive rather than inclusive intermediaries have mediated the boundaries between despotic power and infrastructural power and among state agenda, market forces and grassroots interests. This thesis thus re-visits China's authoritarian resilience concerning not only how migrant contestation is managed but also what institutions and mechanisms are most effective to articulate multiple interests and ensure social compliance during the processes of urbanisation and decentralisation in the absence of electoral politics.

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## ***Abbreviations***

CCP	Chinese Communist Party
CCTV	Closed-circuit Television Systems
JC	Joint-stock Company
MCA	Ministry of Civil Affairs
MPS	Ministry of Public Security
NBS	National Bureau of Statistics
NHFPC	National Health and Family Planning Commission
NPC	National People's Congress
PRC	People's Republic of China
RC	Resident Committee
SEZ	Special Economic Zone
SOE	State-owned Enterprise
SSB	Shenzhen Statistics Bureau
SUPLRC	Shenzhen Urban Planning, Land, and Resources Commission
SUVRO	Shenzhen Urban Village Reconstruction Office
TVE	Township Village Enterprise
UN-Habitat	United Nations Human Settlements Programme
VC	Village Committee
<i>Chengguan</i>	Urban Administrative and Law Enforcement Bureau
<i>Chengzhongcun</i>	Urban village or village amidst the city
<i>Danwei</i>	Work unit
<i>Dingzihu</i>	Nail household or holdout
<i>Guannei</i>	Inner city or within the gate
<i>Guanwai</i>	Outskirts districts or beyond the gate
<i>Hukou</i>	Household registration
<i>Qunti shijian</i>	Mass incident or social unrest
<i>Shequ zhili</i>	Community governance
<i>Tiao-kuai</i>	Branch and lump or vertical and horizontal lines of command
<i>Xitong</i>	Functional system
<i>Zhaijidi</i>	Land for dwelling

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# 1. Introduction

## DEVELOPMENT AND SLUMS

Rapid rural-urban migration and urbanisation tend to produce massive city slums in which rural migrants and the urban poor find substandard shelter and form socio-political enclaves.<sup>1</sup> This phenomenon has travelled across time and space. Slums emerged and spread across Victorian London, in Paris before Haussmann's renovation, and throughout pre-war Boston, New York and San Francisco as the urban centres of the early developers underwent industrialisation and modernisation.<sup>2</sup>

When many developing countries followed the Western development model in the second half of the 20<sup>th</sup> century, they fell into similar patterns of social disorder and spatial contestation. Urbanisation has become both the symbol and measure of such modernity because the movement of labourers from rural areas of low marginal productivity to urban areas of high marginal productivity enables efficient allocation of resources and increases total economic output.<sup>3</sup> But apart from enabling economic growth, rapid rural-urban migration also intensifies spatial and political contestation, from which shoddy neighbourhoods, organised gangs and enduring inequality have always emerged as by-products.<sup>4</sup> Jakarta, Johannesburg, Mumbai, Mexico City and Sao Paulo are typical examples of cities where slums, ghettos or shantytowns became contested but also permanent structures that have emerged, expanded and diffused along with the growth of these cities.<sup>5</sup> Such a phenomenon, in association with inequalities and chaos, is therefore categorised by Mike Davis as a trajectory towards “the planet of slums” and is recognised by UN-Habitat as one of the most severe human development challenges confronted by developing countries in the 21st century.<sup>6</sup>

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<sup>1</sup> Cf. Park and Burgess, 1984: 54-56, 108-111, 189-193; Whyte, 1993: xv-xx.

<sup>2</sup> Jordon, 1995:13-40; Hall, 2002: 404-486; Yelling, 2007.

<sup>3</sup> Bradshaw, 1987: 224-225; Lewis, 1952.

<sup>4</sup> Thrasher, 2013:3-44; Zorbaugh, 1983:9-16.

<sup>5</sup> Neuwirth, 2006; Fischer et al., 2014.

<sup>6</sup> Davis, 2006; UN-habitat, 2003, 2010.

East Asian developmental states, which were strictly repressive of wages and unions yet demonstrated relative social equity in economic growth while overcoming the “middle-income trap” between the 1960s and the 1980s, are no exception to this transnational phenomenon. Despite their unique track record, cities in these countries did not escape the spread of massive slums or ghettos during their take-off periods and after their neoliberal turn.<sup>7</sup> These developmental states somehow distinguished themselves not by retarding slum formation but by combating it: irregular and substandard migrant enclaves were subsequently cleared by massive urban renewal projects in Japan, South Korea and Taiwan and effectively managed by comprehensive public housing schemes in Hong Kong and Singapore.<sup>8</sup>



**Figure 1 A slum settlement in Rio de Janeiro, Brazil.** © The Gelmi Art Studio.

This temporal-spatial pattern of urban transformation implies that once the late developers are integrated into the orbit of global capitalism, control over production factors will precede concerns regarding order and equity in the sequence of development. In other words, as long as migrant enclaves enable the influx of cheap and abundant labour for

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<sup>7</sup> Park et al., 2012: 209-211; Mathews, 2012: 16-21:

<sup>8</sup> Chiu and Lui, 2009: 46-47; Roy and Ong, 2011: 6-7, 111-113.

industrial growth and urban development as well as exempt the state from providing public security and public goods, their associated crimes, vice, poverty and social disorder will be disregarded or accepted as inevitable externalities resulting from economic transition. The trade-off between economic development and unregulated spatial governance has long been evident.

## CHINA'S DEVIANT PHENOMENON



**Figure 2 An urban village settlement in Shenzhen, China.** © Sze Tsung Leong.

However, this pattern does not fit the development trajectory of China. On the one hand, various international regimes regard China's internal migration and urbanisation since 1978 as the most extensive and unprecedented in human history.<sup>9</sup> By 2013, China had experienced an increase of 550 million in its urban population, of which 265 million were considered "floating", as most migrants remain formally unsettled and many still travel back and forth between urban and rural works.<sup>10</sup> The total floating population rose to 274 million in 2014, of which about 168 million were working in the urban centres in other provinces while the rest in smaller cities and county towns closer to their home villages.<sup>11</sup> These figures suggest that rural migrants without urban household registration (*hukou*) are

<sup>9</sup> Internal Labour Organization, 2006; UN-habitat, 2011.

<sup>10</sup> National Bureau of Statistics, 2014a; National Health and Family Planning Commission, 2014: preface.

<sup>11</sup> China Labour Bulletin, 2015.

the primary source of actual urban population growth. China's rural migrants thus constitute the most potentially contentious group in cities; they are deemed necessary for export-oriented industrial growth but are perpetually denied citizenship because of the associated financial burden.

On the other hand, hundreds of thousands of urban villages (*chengzhongcun*) –literally village amidst the city– in these booming cities have provided affordable shelters and regulated settlements to the majority of rural migrants. The valuable land in or adjacent to the city centres is thus ironically reserved for the most disadvantaged groups. Crime and overcrowding are not uncommon, but the majority of these enclaves have not been controlled by gangs or entrenched in despair, as observed in many developing countries. Moreover, private, club and public goods are periodically produced, differentiated and distributed between various non-state intermediaries and different social groupings. Finally, these enclaves have nevertheless been rather soft in the wake of urban renewal in recent years. Negotiations among landlords, tenants and developers can be lengthy but seldom result in violent contention; during the process, intermediaries have functioned as regulators, brokers or practitioners, resembling features of – while also adding nuances to – the thesis of local state corporatism.<sup>12</sup> In addition, while other megacities from the North to the South have cultivated a series of massive strikes, insurgencies and social movements in recent years, Chinese cities have remained extremely stable.<sup>13</sup> The majority of the contention or “mass incidents” (*qunti shijian*) that have occurred in China – with the exception of labour, health and environment-related protests – have largely been clustered in rural areas.<sup>14</sup>

In summary, China's migrant enclaves are more governed, less contentious, and highly dynamic but ultimately soft compared with their counterparts in other developing countries. Some observers would highlight the model's potential to control externalities: consuming cheap labour, regulating socio-spatial contestation and retarding political anarchy. Others suspect that the absence of slums conceals social exclusion and deprives these rural migrants of an arena for resistance. Some would even refer to this situation as an indicator of enduring political conformity. In other words, the preconditions for the emergence of

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<sup>12</sup> Oi, 1999; Unger and Chan, 2008.

<sup>13</sup> See Tarrow, 2005; Harvey, 2012; Wallace, 2014.

<sup>14</sup> Cf. O'Brien and Li, 2006; Cai, 2010; Chen, 2013.

slums were observed in China, but the outcomes were not. This negative situation brings attention to the relations between development and governance along with the interactions between different institutions and agencies in China's urban grassroots.

Certainly, even the most established theories in the social sciences have had exceptions for which no single case can offer confirmation of a theory.<sup>15</sup> However, Gerring and Mahoney and Goetz noted that one crucial case or negative case that is rigorously designed and thoroughly deliberated could disprove a theory or identify an overlooked variable or mechanism.<sup>16</sup> Emigh and George and Bennett also respectively affirmed the merits of investigating a negative case for its potential theoretical expansion and heuristic purposes.<sup>17</sup> The appraisal of China's "development without slums" phenomenon would thus indicate the conditions for deviating from this common trajectory and enrich our understanding of how state, market and non-state actors interact with one another in the midst of the most unprecedented episode of urban transformation.

## **THEORETICAL APPROACH AND DEBATES**

### ***Historical Institutionalism***

This thesis is embedded in historical institutionalism, which employs a historic orientation to study changes and attends to the ways in which institutions shape behaviours and outcomes.<sup>18</sup> This approach rejects rational choice theory, which assumes that individuals are self-interest maximisers making choices with perfect information; the approach also transcends structural functionalism, which deems social actors bred in a specific context or with an idiosyncratic history to be similar in responding to structurally constituted situations.<sup>19</sup> Instead, this approach aims to bring temporal dimensions into political analysis, insisting that "political development is often punctuated by critical moments" in which "specific patterns of timing and sequence matter and a wide range of social outcomes may be possible".<sup>20</sup>

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<sup>15</sup> King et al., 1994: 66-70.

<sup>16</sup> Gerring, 2007:236; Mahoney and Goertz, 2004:653.

<sup>17</sup> Emigh, 1997; George and Bennett, 2005:81-82.

<sup>18</sup> Hall and Taylor, 1996.

<sup>19</sup> Thelen, 1999; Steinmon, 2008.

<sup>20</sup> Pierson, 2000:251.

Because historical institutionalism concerns interactive relations and recurring mechanisms, concepts such as increasing returns and path dependence and methods such as micro-narrative and process tracing are considered vital. This view of history is not deterministic and is not a calculative sum of intentions. Historical-institutionalists, in contrast to rationalists, do not merely serve to reduce uncertainty and inform decisions, and they are not potent in sanctioning actions, as assumed by the structuralists.<sup>21</sup> Rather, initial conditions shape critical junctures, but outcomes, intended or unintended, are determined by the interplay between institutions and actors within a bounded territory. Actors are both the objects and agents of events, whereas “institutions configure strategies, strategies can remake institutions”.<sup>22</sup>

This spatial-temporal orientation enables us to examine the changing dynamics through which Chinese cities have been able to manage the unprecedented migrant contestation. One concern pertains to the ways in which China’s migrant enclaves differ from those in the developing world, along with the implications for social inequality and political stability. I thus examine the historical and institutional foundations for the living space of different social groups and for the different ways in which public goods are produced, differentiated and distributed in urban villages during decentralisation and privatisation. Another concern is the impetus for grassroots agencies to maintain, regulate or contemplate socio-political order in the migrant enclaves as well as their relations with state apparatuses. I thus reveal the coercion, patronage and exit point mechanisms by which collective compliance dominates organised resistance during everyday trades, land appropriation and urban renewal.<sup>23</sup> The changes and continuity in formal institutions are emphasised as much as the informal exchanges among grassroots officials, village bosses, clan chiefs, native villagers and rural migrants. This study hence aims to describe the complexity of these interactions and to consider the recurring pattern within them. It analyses how regime shapes the boundaries of contestation and is, in turn, shaped by the repertoires of the agency. It also explains why diverse patterns of regime resilience are conditioned by the contrasting identities, strengths and cohesion of their capitalist class or

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<sup>21</sup> Pierson, 2004: 10-16.

<sup>22</sup> Hay and Wincott, 1998:954-955; Ma, 2007:64. It has been noted that neo-institutionalism is galvanised by both formal theory and applied economics to explain human behaviour, and thus cannot be fully detached from rational choice theory. See Bates, 2014.

<sup>23</sup> See Hirschman, 1978 on the exit-voice strategies in reaction to discontents with the state.

political elite.<sup>24</sup> This analysis inevitably invites us to examine the nature of the Chinese regime at central and various local levels in relations to its nuanced form of grassroots politics during rapid socioeconomic transition.

### ***Authoritarian Resilience and Its Boundaries***

China's increasing integration with the global economy and its continuous exchange with other open societies while at times preserving its uncontested one-party rule are not only challenging the theory of democratisation but also reinvigorating the conceptualisation of effective governance, independent of rigid regime typology. With the collapse of "enduring authoritarianism" in the Middle East after the Arab Spring, China's communist regime stands alone as the most visible and salient deviation. Various new typologies have emerged to capture the old regime's robustness in adapting to waves of internal crises and external challenges.<sup>25</sup> Central to these classifications are the capacity and flexibility of the Chinese state in absorbing social grievances, enforcing decrees and policies and ensuring continuous economic growth. The use of fear and the appeal to ideology have not been altogether abandoned, but they are no longer the *dominant ruling strategies*.

Although observers agree on the transformation of the Chinese regime, they disagree on its sources of resilience.<sup>26</sup> One school of thought emphasises the power of institutional adaptation, which is capable of recruiting meritocratic civil servants, ensuring government accountability, stabilising political elite succession and incorporating collaborative corporatism.<sup>27</sup> These accounts imply that democracy is prohibited but substituted with effective governance. Another school of thought highlights the robustness of an interactive realm in which rightful resistance is tolerated, policy deliberation is encouraged and social organisations are absorbed.<sup>28</sup> Implicit in these arguments is the claim that despite the lack of competitive and liberal institutions, the essence of deliberative or consultative governance has been practised or at least the seeds of pluralism have been sown.

In recent years, the divergence discussed above has contributed to contradictory assessments of the durability of the regime. Some observers insist on the resilient

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<sup>24</sup> See Tilly, 2006; Sidel, 2008; Slater, 2010.

<sup>25</sup> Posusney, 2004; Bellin, 2012; Levitsky and Way, 2010.

<sup>26</sup> Nathan, 2003.

<sup>27</sup> Yang, 2004: 187-192; Tsai, 2007:188-191; Shambaugh, 2008: 161-181; Heinemann and Perry, 2011:8-15.

<sup>28</sup> O'Brien and Li, 2006: 123-129; He and Warren, 2011:269-270; Wang, 2011:126-129.

weaknesses of this model, including a weakened but increasingly predatory state, political instability generated by factional politics and endemic corruption.<sup>29</sup> Other observers, including Nathan and Shambaugh who initiated the concepts of authoritarian resilience and party-state adaptation, reach the same conclusion but emphasise structural and exogenous challenges, such as the staggering increase in “mass incidents”, the dilemma of simultaneously maintaining economic growth and addressing environmental pollution, an increasingly informed public and new channels of mobilisation under the digital revolution and greater financial uncertainty following China’s further integration into the global economy.<sup>30</sup>

The above claims share the assumption that the Chinese state is a *monolithic entity* working against society. However, this assumption, which builds on the division between the state and civil society, has been criticised as extraneous. Several anthropological and organisational studies reveal that state apparatuses and nongovernmental organisations (NGOs) in China have interdependent rather than antagonist relationships.<sup>31</sup> Furthermore, the claim that China is resting on a social volcano is contradicted by results obtained in large-scale nationwide and citywide surveys.<sup>32</sup> Rather, non-zero-sum outcomes have emerged from dynamic interactions at the grassroots level. The periodic occurrence of resistance is interpreted not as critical threat to the regime but as valuable source of information. The nature of the Chinese regime is thus referred to as “deliberative authoritarianism”, “bargained authoritarianism” or “contentious authoritarianism”<sup>33</sup>

In fact, these disagreements are both normative and methodological. The structural tradition implies that an uncompetitive and corrupt system, regardless of how adaptive it is, has institutional and structural limits in its response to momentous changes in the Chinese economy and society. Such observers also have good reasons to doubt the reliability of the survey results obtained in an authoritarian regime. Public support for the former Soviet states or communist ideology was as high as 85 per cent in the late 1980s, but these

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<sup>29</sup> Pei, 2006; Li, 2012.

<sup>30</sup> Friedman, 2009; Diamond, 2012; Nathan, 2013, Shambaugh, 2013.

<sup>31</sup> Hsu, 2010; Teets, 2013.

<sup>32</sup> Wright, 2010:162-180; Whyte, 2012:181-191.

<sup>33</sup> He and Warren, 2011; Lee and Zhang, 2013; Chen, 2013.

regimes collapsed several years later, thus illustrating the entrenched phenomenon of public lies, private truths, and false consciousness under totalitarianism.<sup>34</sup>

By contrast, the rational choice tradition finds persistent support for and informed acceptance of the existing socio-political order, which are dynamic products of China's idiosyncratic history, socialist legacies and adaptive mechanisms. Because of the expansion of the private sphere, these observers consider survey data to be more authentic and reliable than data in the Cold War era. These observers also insist that it is impossible to discuss domination, subordination, or false consciousness without thoroughly describing and challenging the interplay at the grassroots level, where contingency is frequent in everyday politics and negotiation is conducive to governance.<sup>35</sup> Regime matters because it embodies "a set of formal and informal rules that determine what interests are represented" and whether such interests can constrain the leadership; however, regime type is often not determinative as the trajectories and outcomes are subjected to each regime's origins, linkage and leverage.<sup>36</sup>

These analyses consider China's post-socialist transition as largely a zero-sum game between the state and the market or between the state and civil society. Economic development and political stability have been attributed to the efficient market and underdeveloped civil society, respectively, beneath the coercive state. Often lacking in these static accounts are the interplay between institutional adaptations and social changes, the mechanisms through which formal institutions shape informal agencies' self-perception, and the process through which informal exchanges reveal loopholes and trigger adjustments. Recently, several cutting-edge comparative studies of China's local states have proven the merits of adopting a relational approach to examining the changing penetration of China's state power, through which it contingently defends, offends or interacts with the grassroots agencies or civil society. The turn towards the dynamics of local politics consolidates new concepts such as bargained policymaking or resilient governance, through which the contestations between state and grassroots society along with their recurring patterns can be better described and analysed.

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<sup>34</sup> Kuran, 1991:37.

<sup>35</sup> Zhang, 2001; Hsu, 2007; Perry and Goldman, 2007.

<sup>36</sup> Geddes et al. 2014:313; Levitsky and Way, 2010: 37-39.

The debate over the nature and limits of China's adaptive governance will continue. I aim to contribute to this debate by offering a rigorous contextual analysis that traces the dynamics of grassroots governance under immense contestation and in semi-enclosed urban enclaves. Power, as theorised by Bourdieu, Foucault, Gramsci and Lefebvre, is relational by nature and is important when it is operational in a given territory. Based on this understanding, this study examines the relational capacity of the grassroots regime and its non-state collaborators under constant challenges. By relational capacity, I refer to the processes or mechanisms that enable grassroots agencies to adjust their public and social functions during the course of market reforms. Emphasis is given to the micro-mechanisms of public goods provision, allocation and maintenance in the migrant enclaves, as well as to assess the evolving boundaries of despotic power and infrastructural power. The former refers to the state's coercive authority over society whereas the latter refers to the state's capacity to penetrate society to enforce its policies. According to Michael Mann, these two forms of power though coexist, are often in conflict with one another in an authoritarian context where the regime aims to maximise dominance and control.

### ***Beyond the Lens of Civil Society and State Corporatism***

Few scholars dispute that there has been an emergence or – resurgence – of intermediate associations in post-1978 China. Yet, they often disagree on which theoretical framework is most applicable to understanding and conceptualising the development of this intermediate realm along with the associated changes in China's state-society relations. The debate not only involves which theoretical lens better describes and analyses this social reality, but also whether the intermediaries have stimulated significant changes in China's polity that may lead to democratisation.

At the one end, civil society theory affirms the rise of an intermediate level of organisation. Rooted in the liberal tradition, civil society theorists, such as John Keane and Robert Putnam, describe society as independent from and in opposition with the state.<sup>37</sup> With the collapse of the communist regimes in Eastern Europe, China's dissenters in exile and Western observers also hoped for a civil society that fostered democracy and encouraged regime changes. Joel Migdal and Robert Miller, who admit the concept's European orientation, recognised that it is applicable to the study of regime transition in developing

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<sup>37</sup> Keane, 1998; Putnam, 1993.

countries.<sup>38</sup> This intellectual and historical origin is reflective of why China's socio-political transition is frequently contrasted with post-Soviet states rather than Southeast Asian competitive authoritarianism, despite the latter's greater dependence on the state and similar institutional and cultural conditions to China.

Certainly, the growth and the role of nongovernmental organisations (NGOs) are evident in China. The number of registered organisations rose from 4,446 in 1988 to 319,762 in 2005. Of these organisations 171,150 are social organisations, 147,637 are non-profits and 975 are foundations.<sup>39</sup> Many grassroots and foreign NGOs have indeed committed to providing medical services and education to the disadvantaged, easing poverty, promoting human rights and engaging in environmental protection – thus fulfilling functions abandoned by the state and meeting new challenges generated by marketisation.<sup>40</sup> Apart from these welfare and social functions, some scholars also stress the democratic practices through voluntary contribution and horizontal engagements. Green activism in coastal cities in the early 2000s is regarded as the “sites and agents of democratic social change in China”.<sup>41</sup> Labour-NGOs are associated with the empowerment of migrant workers and the accountability of local governments in labour protection.<sup>42</sup> The rise in and spread of civic networks, home-grown associations and relief efforts during and after the Sichuan Earthquake in 2008 is framed as the beginning of an “independent and nascent civil society” in China.<sup>43</sup>

Although these transformations have depended on citizens' participation in public affairs, China's NGOs are considered to be poorly structured, lacking of internal trust and heavily regulated by the state.<sup>44</sup> Since 2010, repeated crackdowns on NGOs and independent activists have occurred. As of 2015, the second draft of the Law on Administration of Overseas NGOs reaffirmed the system's control over influential NGOs in which the Ministry of Public Security has replaced the Ministry of Civil Affairs to regulate foreign NGOs, which are subjected to rigid protocols for registering, accepting donations and operating in sensitive domains. Whereas the state's capacity and determination to swiftly

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<sup>38</sup> Migdal, 1988; Miller, 1992.

<sup>39</sup> Waston, 2008:37.

<sup>40</sup> Jie, 2006.

<sup>41</sup> Yang, 2005:65.

<sup>42</sup> Chan, 2012.

<sup>43</sup> Shien and Deng, 2011:184-185.

<sup>44</sup> Ho, 2011; Teets, 2013.

alter its reliance on certain non-state agents is telling, the inability or reluctance of supposedly independent NGOs to challenge such restrictions and censorship calls into question the applicability of the civil society framework.

At the end of the theoretical spectrum is the notion of corporatism that regards intermediate associations as primarily serving organised and statist interests. Schmitter defines state corporatism as a form of interest representation featuring monopolistic, centralised and non-democratic associations that organised around or imposed by the state.<sup>45</sup> Anita Chan and Johnathan Unger contend that the spread of intermediate associations should not be mistaken as the vigour of civil society in China. Despite the increase in individual autonomy and the expansion of the market sphere, the great majority of these social organisations are endorsed by, subsidised through or dependent upon the state. The state has continued to designate and regulate the associations between different sectorial groups, allowing for their interests to be properly represented and relying on them to maintain stability through surrogates *within* each segment or organisation.<sup>46</sup>

Collaborating interests and using non-state actors has since then strengthened, not weakened, the authoritarian state in terms of its despotic and infrastructural power. Rather than promoting an independent agenda and solidifying horizontal networks, most of these social associations, GONGOs and even grassroots NGOs, are largely performing essential but costly social functions during privatisation and enabling the state to re-infiltrate the grassroots society during decentralisation. Above all, they are always prohibited from organising migrant workers into unions, representing the rights of ethnic minorities and advocating religious freedom and freedom of the press – domains that are monopolised and handled exclusively by the state. State corporatism in this regard “provides a more accurate description of what has been emerging [in contemporary China]”.<sup>47</sup>

Several studies have further extended the particularity of China’s corporatism. Compared with other East Asian states, where state-corporate collaboration is embedded in the central government or seasoned bureaucrats and sectorial associations or conglomerates, China’s model of corporatism is said to be relatively fragmented and localised. Over the course of

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<sup>45</sup> Schmitter, 1979:13.

<sup>46</sup> Walder, 1986; Unger and Chan, 2008.

<sup>47</sup> Chan and Unger, 1993:39.

privatisation and decentralisation, business-minded local states have fulfilled the dual role of regulator and player. Township-village enterprises (*xiangzhen qiye* or TVEs), which have a strong state presence and collective shares, are identified as the source of China's improved agricultural efficiency, reduced rural-urban inequality and rapid economic growth from 1978 to the mid-1990s.<sup>48</sup> Recently, Jennifer and Hsu reaffirmed the validity of local state corporatism by correlating the success of certain NGOs in Shanghai to their connections and interactions with local state systems.<sup>49</sup>

Although the notion of local state corporatism is well developed, its analyses present potential shortcomings. First, the majority of these studies are oriented in rural areas where local state and collective enterprises are relatively coercive and autonomous, are subjected to moderate public scrutiny and encounter fewer challenges from competitive interests. It becomes imperative to examine whether the theory applies equally well to urban areas with more severe spatial, social and economic contestations that extend across diverse communities and multiple divisions.<sup>50</sup> Second, many of these studies are devoted to examining and revealing the growing economic roles of grassroots regime, such as township governments, VCs and TVEs, during market transitions. They, logically or unintentionally, underplay and underestimate the public and persistent functions of the urban grassroots regime and its relations with the intermediaries. However, comparative evidence suggests that corporatist interests, no matter how powerful, do not always dominate the realm of public goods provision and welfare service management. Instead, the political process is often governed by recurrent bargaining between the state and the society, rather than in the form of mandated concessions assigned by the state.

### ***Intermediaries between the State and Society***

Some scholars insist that these theories are frequently at odds with China's social reality.<sup>51</sup> Philip Huang proposes a "trinary conception" that goes beyond state-centred corporatism or society-oriented civil society theory. His research on civil justice mediation and the survival of small peasant communities in both imperial and Republican China reveals the existence of an intermediate space between state and society in which *both* parties participate. This third realm or an in-between space is where the twin processes of state

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<sup>48</sup> Cf. Duckett, 1998; Oi, 1999; Huang, 2008.

<sup>49</sup> Jennifer and Hsu, 2014.

<sup>50</sup> The applicability of local state corporatism in the rural area has also been contested. See Yep, 2000.

<sup>51</sup> Ong and Zhang, 2008; Heilmann and Perry, 2010; Read, 2012; Cai, 2012.

intervention in society and societal assumption of state authority interact, negotiate and operate. While privatisation weakened central power vis-à-vis local power in contemporary China, the local government and local society have worked together to expand their communal networks and public functions.<sup>52</sup> In this light, Huang is proposing a multifaceted, dynamic, and intertwined concept of state-society relations in which the intermediate realm is mediating conflicts, deepening networks and modernising changes.

Similarly, Prasenjit Duara's study of state-strengthening efforts in Republican China also suggests a "cultural nexus" in which the autonomy of rural leaders is produced and capitalised into formal and informal groups. Although these groups enable the state to collect taxes and maintain social order, their authority is dependent on their constant *response* to social needs and their ability to negotiate for diverse communities.<sup>53</sup> In short, both Huang and Duara reject the binary opposition between state and society, which is heavily shaped by the state-making process and bourgeois public sphere in early modern European historical context. This defies the complex, prismatic and sometimes paradoxical processes involved in the making of communal power and grassroots order.

Contrary to conventional wisdom, this intermediate realm has endured in communist China. In her widely acclaimed study, Vivienne Shue delineates Mao's China's evolution polity during which state penetration was less widespread and highly uneven. By introducing the "honeycomb" structure of rural society, Shue challenges the concept of a state-versus-society dichotomy and exhibits the limits of the *reach of the state* countered by merged associations and everyday norms of the grassroots.<sup>54</sup> Instead of being blind followers of Chairman Mao, Shaoguang Wang suggests that the red guards of the Cultural Revolution were embedded but "rational actors" who calculated, either consciously or subconsciously, their risks and rewards. By linking the political elite and institutionalising fractional struggles, these social actors managed to filter top-down orders and defend the existing distribution of local power.<sup>55</sup> Shue and Wang thus provide a coherent yet multifaceted description of reality in urban and rural China, and at normal and contentious periods during which the state and society worked concurrently to institutionalise their conflicts and to secure their interests.

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<sup>52</sup> Huang, 1993.

<sup>53</sup> Duara, 1988:39-40.

<sup>54</sup> Shue, 1988; 123-154.

<sup>55</sup> Wang, 1995: 5-17.

In recent years, these understudied and nuanced realms have begun to draw more scholarly attention. Benjamin Read reveals how neighbourhood associations in reforming China are not mere creations of the state but are embedded in the society. By accommodating both the state and the market, they are fulfilling public roles and meeting community expectations. While hierarchy does exist in the urban grassroots, intermediary associations' dependency towards to local state apparatuses does not necessarily entail clientelism. Instead, the difference in economic resources, institutional alternatives, and communal norms or discretionary authority between the “superior” and “subordinates” are factors that truly distinguish the logics of horizontal solidarity and the power dynamics in each locality.<sup>56</sup> Similarly, Li Zhang, David Bray and You-tien Hsing in their respective studies explain why kinship networks, *danwei* legacies and socialist land masters in urban China occupy the intermediate space through which local apparatuses, offend, defend and interact with the masses.<sup>57</sup> As demonstrated by my fieldwork in the urban villages, these reciprocal relations or circular negotiation have not disappeared but proliferated through privatisation and decentralisation. In a similar vein but different lens, Vanessa Fong and Rachel Murphy defy the state-centred perspective of discounting the dilemma and complexity at the margins of Chinese society. Peasants and migrants, despite being discriminated by the *hukou* system and denied of certain political and civil rights, are proven to have productively engaged in the making of their social citizenship and becoming an integral part of Chinese cities.<sup>58</sup> By referring to such multifaceted developments, this thesis examines the dynamics in which certain state agendas are neutralised and absorbed by society, whereas others are not.

Certainly, one should not underestimate the more structural inequalities in relations to resources and power beneath this synergy of state power and social forces. These inequalities have been increasingly rationalised in high-modern planning and legitimated through global capitalism. Nor does this thesis aim to showcase a “harmonious society” specific to China. Instead, it describes the mechanisms and reasons underlying conditions in which conflicts have emerged and have been reproduced and institutionalised over the course of rapid urbanisation and intensified privatisation. By taking advantage of the

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<sup>56</sup> Read, 2012:17-20.

<sup>57</sup> Zhang, 2001; Bray, 2006; Hsing, 2010.

<sup>58</sup> Fong and Murphy, 2006:6-8.

tensions and collaboration between the different segments of the local states and among the non-state agents, intermediaries bargain with the regime without comprising their roles or purposes. As the Chinese context exhibits particular qualities for checking urban diseases, providing public goods and managing social order, it is also of practical relevance to students studying development and modernisation.

Admittedly, social scientists, like natural scientists, often appreciate the ability of simple theories to illustrate and conceptualise the complex world. However, as the proverb says, “Everything should be as simple as possible, but not simpler”. This thesis thus stresses the particular manifestations but also analyses the prevailing contradictions within the context of China’s social transformation, namely between surviving socialist institutions and new market forces, despotic power and infrastructural power, and landed peasants and migrant workers. This process of multifaceted, intertwined and evolving state-society relations demands a more nuanced description and middle-range theorisation. In this light, China’s “development without slums” phenomenon is by no means isolated from many developing countries that have experienced similar stages of urbanisation and capital accumulation.

### ***State-Society Relations in Urban Grassroots***

In recent years, the Chinese government has regarded the need to provide more and better-quality public goods and services in urban communities as an urgent task to alleviate social tensions and enhance political legitimacy. One of the crucial impetuses of reform comes from the transition from work-unit (*danwei*) to community (*shequ*) governance.<sup>59</sup> As the market has gradually replaced the state in terms of economic production and social service distribution, the *danwei*’s administrative and residential units could no longer dominate and regulate the urban landscape. Two major policy initiatives have been implemented to address this socio-political vacuum. In 2004, the central government reinvigorated resident committees (*jumin weiyuanhui*) to institutionalise a nationwide community building process. This process aimed to restructure and empower the urban community as a resourceful, efficient and dynamic grassroots regime that is capable of coordinated and effective governance. In 2008, the central government further adopted “social management” (*shehui guanli*) or “community governance” (*shequ zhili*) as the overarching governing framework. This framework aimed to foster flexibility and diversity in social service

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<sup>59</sup> Bray, 2006: 530.

provision by decentralising state functions to private and non-state actors while simultaneously allowing the state to maintain distant control under a regulatory and corporatist framework.<sup>60</sup>

These urban governance initiatives have generated contrasting views of the nature of state-society relations in contemporary China. One school of research refers to these schemes as an indicator of administrative modernisation that promotes impartiality and rationality, injects pluralism into public policy formulations, and ultimately alters traditional state-society relations. The creation of social welfare intermediaries is regarded either as independent and institutionalised space towards a more dynamic and assertive civil society or as a cohesive and resourceful realm that can nurture connection with social actors.<sup>61</sup> Another group of scholars, however, argues that state control is evident across China's neighbourhood governance. These researchers claim that state-led governance has allowed the state to penetrate the grassroots, to strengthen their social control and to reduce their costs of governance.<sup>62</sup> The production of community building is viewed as an indicator of an increasingly empowered and confident grassroots regime that is capable of turning challenges into inform governance.

As Alagappa notes, “[t]here is no necessary connection between civil society and democracy; civil society can have both democratic and antidemocratic effects”.<sup>63</sup> From this perspective, civil society is neither a vehicle conducive to civil employment and pluralism nor a realm that is fully created and controlled by the party-state. Rather, civil society is regarded not an entity ontologically distinct from the state, and both often form collaborative and symbiotic – but contingent – partnerships with one another.<sup>64</sup> This trajectory raises a central question regarding the concurrent triumphs of both non-state actors and the party-state, which has generated an extensive range scholarship in the literature on civil society in general and in China in particular. Less prevalent in the discussion is the grassroots politics in China's transitional space and hybrid enclave. This political realm has not been fully explored, as students of political economy are driven to assess the corporatist nature of local states, of contentious politics to analyse how rightful

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<sup>60</sup> Pieke, 2012; Fewsmith, 2012; Tang, 2015.

<sup>61</sup> Zhang, 2004; Spires, Tao and Chan, 2014.

<sup>62</sup> Bray, 2006; Read, 2007; Lee and Zhang, 2013.

<sup>63</sup> Alagappa, 2004: 40.

<sup>64</sup> Mertha, 2009; Spires, 2011, Teets, 2013.

resistance is conducted in rural areas, of migrant studies to examine how inequality and control is reproduced in factory dormitories, and of urban politics to reveal how state power is penetrated through RCs.

However, migrant enclaves represent a dynamic socio-political space where contestation is potentially vast but the outcome is surprisingly stable: their inhabitants are not completely urban, but they are supported by their rural systems and networks; their grassroots regimes are not merely an extension of the state, but they are not entirely the creation of society; the inhabitants of urban villages are included in cities for the purpose of sustaining the export-oriented economy, but the land upon which urban villages are built is essential for fostering further urban development. Although some scholars have studied the dependence of RCs in urban governance, the roles of joint-stock companies (*gufen gongsi*) in TVEs, and the nature of informal migrant settlements in separate studies, few researchers have studied these aspects within a *combined* political process in which the grassroots regime and non-state actors defend, offend and interact with one another. These state-society interactions reveal the conditions under which an intermediate grassroots realm can be maintained and the trajectory on which it can endure.

## RESEARCH QUESTION AND OBJECTIVES

The literature review above situates the “development without slums” phenomenon in the existing theoretical debates and explains the need for nuanced empirical data. First of all, despite the institutional discrimination and social exclusion of rural migrants, urban villages that accommodate more than two-thirds of China’s 274 million migrants have been relatively regulated and minimally contentious. An explanation in terms of the authoritarian regime is insufficient, as open, periodic and popular protests have emerged in rural China since the late 1990s.<sup>65</sup> Organised labour strikes have also become increasingly apparent in the industrial zones and factories since the mid-2000s.<sup>66</sup> In recent years, the urban middle class has periodically resorted to protests to voice their discontent over issues in the environment and health security. Why are the migrant enclaves, which are supposedly more contentious during the course of the economic and geographical

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<sup>65</sup> Cf. O’Brien and Li, 2006; Cai, 2006; Chen, 2013.

<sup>66</sup> Lee, 2007; Pun and Chan, 2012.

transitions, an exception? More precisely, why do these migrants mainly go on strike for their working conditions but not for their living conditions? These dynamics of collective action may be explained by the idea that these rural migrants (*nongmingong*) are constrained to becoming semi-proletariat: neither peasants (*nongming*) nor workers (*gongren*) under various institutions; earning wages but retain access to land as a means of subsistence; residing in sporadic urban villages instead of common workers communities; and trapped in a growth pattern in which capital is highly exploitative, yet relative poverty rather than absolute poverty appears to be a gain.<sup>67</sup> This type of negative or particular phenomenon in China focuses our attention on how political power is exercised and social order is maintained in these arenas of contestation occupied by the floating population.

Although a number of sociological or ethnological studies provide contextual and lucid accounts of the form and power of specific urban villages in the 1990s, no existing studies have acknowledged the implications of the absence of slums. Most of these studies are also situated in North China and in relatively homogenous villages.<sup>68</sup> A single case study with four embedded and heterogeneous urban villages consisting of dynamic institutions and multiple actors would enable us to survey how urban villages are formed and prevented from developing into massive slums, to examine the specific power dynamics within a semi-enclosed space, and to explain urban China's spatial-political arrangements through a negative lens. Having been trained as a political scientist, I am particularly interested in exploring how grassroots interests are articulated and how patronage is sustained when electoral machine and competition are absent.

Although all city planners and mainstream developmental scholars would regard the absence of slums as a success, the phenomenon is actually more complicated. From a normative perspective, slums, housing the most disadvantaged members of society, should not be perceived merely as hotbeds of poverty or as symbols of vice. Rather, slums might constitute a space for everyday assimilation and resistance, function as an inclusive political community, and depict a pattern of disenfranchisement and inequality prevalent under global capitalism.<sup>69</sup> This perspective requires an interactive approach to documenting and understanding migrants' perceptions of the governed space and their

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<sup>67</sup> Thompson, 1963: 129, 408-410; Pun and Lu, 2010:497-498.

<sup>68</sup> Zhang, 2001; Bray, 2005; Xiang, 2005; Li, 2009.

<sup>69</sup> See Scott, 1987; Suttles, 1968; Whyte, 1993; Smith, 2008; Fishers et al., 2014.

relationships with the state and other social actors. Motivated by these empirical and theoretical concerns, my primary research question is framed as follows:

*What types of institutions and mechanisms have enabled China's grassroots regime to manage its migrant contestation and to regulate its socio-political order during privatisation and urbanisation and in the absence of electoral politics?*

This question involves the following components or objectives: 1) describing China's urban development and institutional changes from a historic and comparative perspective; 2) tracing the pattern of migrant contestation along with assimilation, integration or resistance in the formal city; 3) examining the patronage relationships among city officials who possess coercive power, village bosses who seize economic resources and clan chiefs who enjoy communal authority and between native villagers as landlords and rural migrants as tenants; 4) explaining the role and capacity of intermediaries in providing public goods and regulating social order; and 5) assessing the changing dynamics of China's grassroots politics during the course of decentralisation, privatisation and urban rationalisation in the absence of electoral machines and competition.

## **RESEARCH DESIGN AND METHODOLOGY**

The fieldwork for this study was conducted between March 2012 and August 2014, covering four urban villages in Shenzhen's dual administrative structure. This design depicts a representative urban trajectory in a sunbelt city in China that is both the symbol and the frontier of market reforms. This design also controls for demographic, economic and institutional factors in the field sites to reveal the temporal change in grassroots interactions and to capture the recurring pattern of grassroots negotiations.

In China, affiliation with a local university is an important first step when conducting intense fieldwork. This affiliation avoids intervention from street-level cadres and enables societal cooperation.<sup>70</sup> My affiliations with the University of Science and Technology of China and Sun Yat-sen University granted me access to the relevant official archives, social organisations and target populations. My personal connections and three months of

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<sup>70</sup> Carlson et al., 2010:20-21.

residence in the field sites are also vital to earn the trust of the local bosses, villagers and migrants.

### ***A Single Case Study with Embedded Subunits***

As China's first Special Economic Zone (SEZ) and a hub for rural-urban migration, Shenzhen exhibits a typical trajectory of spatial contestation during market reforms. Shenzhen, along with Beijing, Shanghai and Guangzhou, is now ranked as one of four first-tier cities (*yixian chengshi*) in China. Between 1979 and 2011, Shenzhen maintained an average annual GDP growth rate of 24.8 per cent, and it evolved from a county of fewer than 314,000 people to a metropolis with an urban population of more than 10 million, of whom 75 per cent are rural migrants, representing our primary unit of analysis.<sup>71</sup> But in order to examine the interplay of power and resources and between different agencies, the voices and behaviours of street-level officials, village bosses, clan chiefs and native villagers are also attended and examined.

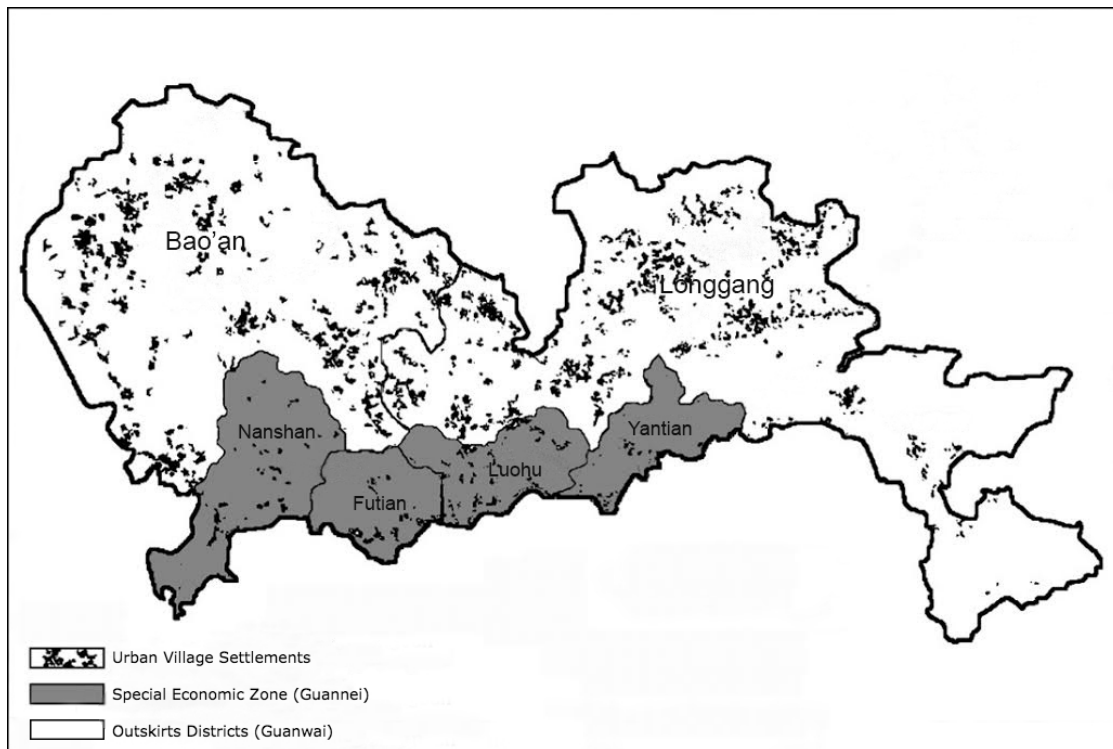
Until 2010, Shenzhen retained a dual administrative structure that divided the municipality into two divisions. Figure 3 illustrates the boundary of these divisions along with the land occupied by urban village settlements. One administration governed the districts of Luohu, Futian, Nanshan, Yantian, and several early industrial zones designated as the inner city (*guannei*). The territorial jurisdiction of the SEZ was restricted to this 395 km<sup>2</sup> of land and included 91 administrative villages. The other administration governed the districts of Bao'an and Longgang as well as the new high-tech zones in the suburbs. This area included 239 administrative villages spread across 1,553 km<sup>2</sup> of land in the outskirts districts (*guanwai*).<sup>72</sup>

### **Figure 3 Distribution of Urban Villages in Shenzhen Administrative Divisions**

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<sup>71</sup> National Bureau of Statistics, 2012b; Shenzhen Urban Planning, Land and Resources Commission, 2011: 14.

<sup>72</sup> Shenzhen Statistics Bureau, 2012a; Shenzhen Urban Village Redevelopment Office, 2005:2.



Source: Compiled from Shenzhen Urban Planning Bureau, 2005: 14-15

These villages share several similarities. All of these villages have transformed into *heterogeneous* communities as a result of intensive rural-urban migration, illustrating the dynamic contestations between native villagers and different groups of rural migrants. They are also large urban villages of comparable size whose demands for public goods are immediate and immense. Each village except one has been informally governed by a joint-stock company (JC *gufen gongshi*) that is a privatised village committee (VC *cunmin weiyuanhui*). The shareholders of each company are the native villagers, who range in number from 800 to 1,150. One to three resident committees (RC *jumin weiyuanhui*) formally govern each of the urban villages, which are de jure self-governing bodies but de facto roots of the state.<sup>73</sup> The official number of staff for each RC has been capped at 7 personnel, with additional funding for recruiting approximately 20 helpers.

However, these urban villages also differ from one another in several ways. The four field sites are dispersed among the districts of Luohu, Futian, Bao'an and Longgang; hence, the city government governs two of them, and two county governments govern the other pair. Another difference lies in the tenants of these urban villages. Office workers and small entrepreneurs primarily reside in the *guannei* urban villages, whereas factory workers,

<sup>73</sup> Read, 2003, 2007.

janitors and guards primarily cluster in the *guanwai* urban villages. A third difference is the business networks of the villages: although their customers include migrants and urbanites, the *guannei* urban villages concentrate on both retailing and wholesaling, whereas urban *guanwai* villages primarily serve individual households. The combined effect is a divergence in wealth that conditions the ability and willingness to provide public goods and regulate public space.

The similarities and differences constitute a research design that is referred to as an “embedded case study”. A total of four urban villages across four districts are selected as the subunits of analysis for the situation in Shenzhen, where migrant contention is strong and continuous. This research design allows for a thick description of the order, trades and residents of the four villages. Multiple data are used, and replicated conditions are identified for comparison with our operational definition of “slums” and to reveal the complexity of the grassroots order in urban China. Moreover, the research design helps to verify whether the robustness of macro-institutions and intermediary associations are direct and wide-reaching, despite the differences in administration, demographics and economics. The inclusion of embedded subunits thus increases the possibility that the inferences obtained from a single case study reflect “replication rather than sampling logic”.<sup>74</sup>

### ***Quantitative Data***

This thesis aims to measure the micro-mechanisms involved in managing migrant contestation and reinforcing reciprocal relations. This objective involves both quantitative and qualitative data collection because the boundaries of such dynamics are typically contingent and not divisible. Official national and municipal statistical yearbooks along with statistical collections at the county and street levels were analysed to provide an overview of China’s demographic and economic situation and particularly to assist in the interpretation of qualitative data. The China Core Newspapers Full-text Database (CNKI.net) provided access to these newspapers and enabled keyword searches. This enables me to examine the intensity of this issue and the changes in official framing or public perceptions of urban villages and of their dwellers.

### ***Archival Research***

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<sup>74</sup> Yin, 2013:57-58.

I conducted archival research at Shenzhen's Municipal Archive and City Planning Archive. Although much information is withheld because of the 30-year rule that protects government records from being released to the public, some pre-1984 records related to the origins and policy initiatives of Shenzhen have been reviewed. These archives contain internal publications and data collection. Through applications to relevant bureaus or agencies, selective open data on city finances, urban improvement projects and the *hukou* system were obtained.<sup>75</sup> Moreover, the libraries of Shenzhen municipality and Futian and Luohu districts include many local newspapers and Chinese journals. Their reference libraries also collect working reports and audit memos on city planning and urban village redevelopment. Another good collection was the chorography (*difangzhi*) that documents the historic, administrative and demographic details of each district, which has been updated and released since 2010. These dense secondary materials may not be necessarily reliable but serve as reference points for searching or verifying primary data.

### ***Residence in Urban Villages***

The most intensive episodes of my fieldwork involved three months of residence in two urban villages located in *guannei* and *guanwai* and periodical visits to other field sites to conduct documentary research, interviews and participant observations. Uncle Lou, one of my informants, helped me arrange a temporary residence, in one of the many apartments that he owned or sub-rented in the *Shi* Village, from 2 March to 14 April 2013. Situated on the main avenue and adjacent to the JC's main building, the apartment served as a dormitory for JC employees where the emergent deployment and everyday services of the company's employees are concurrently catered. I stayed with two roommates in a three-bedroom apartment. One of my roommates was a sub-contractor of the Teochew clan and the other was a junior captain of the collective security team who had worked in the village and lived in the dormitory for over five years. We shared the bathroom, kitchen facilities and home appliances, and the living room, which facilitated our interaction.

Although we rarely cooked for ourselves, and even less often for each other, we regularly gathered for dinner and drinks starting from my first week of residence. Such social

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<sup>75</sup> The Open Government Information Regulation establishes a legal framework to disclose information to the public, but its implementation varies by region and agency. Some areas require application to be made by a local citizen, whereas others accept a foreign researcher affiliated with a Chinese university as sufficient grounds. Nationwide, many agencies still disregard such application or insist on confidentiality. See State Council, 2008.

gatherings allowed me to take a closer look at the daily routine of these service providers, appreciate their aspirations and assess their insiders' views of the order and trades in the migrant enclaves. More importantly, their friendship allowed me to make connections within and beyond the urban village and solicited more than a dozen interviews. While Uncle Lou arranged the top-down or vertical endorsement of my fieldwork, my roommates activated the horizontal or bottom-up channels.

Between 2 September and 12 October 2013, I moved to the Gong village, located in the outskirts. This time I completed the renting process alone for three reasons. First, my investigation was extended to cover the blue-collar migrants that resided primarily in the outskirts. Second, I sought to gain a first-hand experience of the negotiations and interactions involved. Third, I aimed to establish my own networks within the urban village and to test the validity of my observations in the absence of my resourceful informant. I ended up living in a much more crowded and primitive apartment with five other migrant workers in their mid-twenties to late thirties. As strangers to each other, our initial interactions were neither harmonious nor efficient. Yet, because of my ability to speak their dialects and the sudden departure of two occupants, who moved out to return to their native places during the third week of my stay, I quickly gained an intermediate occupant status relative to the old residents and the newcomers.

Due to our closer relationship, most of them agreed to assist my research during their free time. Apart from giving interviews, some accompanied me to the city and district's human resources centres and the others introduced me to their co-workers. At one time or another, they gathered with me at their favourite restaurants, stores and bars. Such contacts revealed the trades and occurrences of everyday life in these urban villages, which are not easily observed or engaged in by an outsider. Initially, I negotiated an affordable four-month contract to allow me optimal time to earn the trust of the other occupants and to study the migrant enclaves. With the help of my friends and my daily encounters, the data collection was completed earlier than expected. Thus, I left my room for them for the remaining two months. This was a small gesture of gratitude that I offered to my roommates, and at times informants, who kept me up-to-date on new developments in their villages and their lives when I travelled back and forth from Hong Kong to Shenzhen to conduct other qualitative studies.

### ***Semi-structured Interviews***

I was able to conduct in-depth interviews and rich ethnographic accounts because of my personal connections (*guangxi*) at the selected sites. Through kinship and networks, I found two informants who are native villagers and who have rented and managed dozens of apartments in three of the study sites. Because of their positions and business relations, these villagers were able to introduce me to several local bosses, clan chiefs, and migrant workers who further extended our reach in the sites. With the presence of a trusted third party, the village bosses and clan chiefs were willing to reflect on their views and relations with the state and other actors as well as to explain their causes in regulating and developing the villages. Some of these individuals provided access to relevant minutes and reports and invited me to participate in village functions or clan ceremonies that are typically reserved for native villagers. This included access to demolished sites that are exclusive to the representatives of the JCs and real-estate developers. Others shared their personal stories, including the education standards and career prospects of younger generations. These semi-structured accounts addressed our goal of obtaining intergenerational and occupational variations while also identifying new dimensions, such as the succession crisis among and withdrawing trend in JCs.

A total of 89 semi-structured interviews were conducted within and beyond the sites. These included 11 interviews with the heads or deputies of JCs and the chiefs of lineage or clans as well as 25 interviews with native villagers who were either landlords of urban village apartments or managers of these migrant enclaves. Most of the interviews were conducted at the interviewees' offices, shops or nearby restaurants. I further conducted 35 interviews with rural migrant tenants or workers in the urban villages. I excluded those who had resided in the city fewer than six months in order to observe the official definition of migrants and to ensure that the analysis included only those familiar with the spatial and political settings. Some of these migrants worked in the villages, whereas others worked in nearby factories or offices. I compared these groups to seek their diverse or recurring perceptions of the trades and order in the urban villages.

I searched beyond the sites to conduct an additional 18 interviews with city planning officials, company executives, NGO workers, reporters and researchers. In doing so, I focused on collaborative evidence of the interactions between intermediate agencies and municipal apparatuses, between migrant workers and right-based NGOs, and among these

varied groups. These individuals also provided outsiders' perspectives, enabling us to assess the social perception and acceptance of the migrant enclaves. Essentially, the classification and features of the major actors are as follows:

- a) Old or elder migrants refer to those who were born before 1980, most of whom are less educated, mainly aimed to make money and then returned to their native place.
- b) New or young migrants refer to those who were born after 1980, who constituted 17.6 per cent of the migrants in 2011 and exhibited sharp variances from old ones.<sup>76</sup>
- c) Clan chiefs refer to the heads or deputies of ancestry, lineage, kinship or trade networks who perform both communal and business functions.
- d) Village bosses refer to the chairmen or deputies of JCs; most of them were formerly members of VCs and representatives of local congresses or committees.
- e) Native villagers refer to the native peasants who continued to retain their rural *hukou* after urban sprawl, and most of them became the landlords of urban villages.

As this thesis mainly addresses the source and role of the intermediaries, the interviewees were heavily selected from the male elites in the migrant enclaves. Three out of the twenty-five native villagers that I interviewed were female and only one of them was a landlord. In chapter 7, I thus tried to provide a more balanced and aggregated view of the female gender in the assessment of the rural migrants' views on social order in the urban villages. Nevertheless, this selection inevitably led to a gender bias and further research is necessary to uncover the gender-based tension associated with access to land rights and its dividends and with the extent of social dominance in China's urban society.

### ***Participant Observations and Data Verification***

Language ability proved vital to extending my exposure to these sites and among the different migrant groups. I was a migrant myself, having been born in Meizhou – a Hakka-speaking prefecture in Guangdong province – of Teochew ancestry and migrating to Hong Kong at the age of five. Hence, apart from fluent Putonghua, I also speak native Hakka, Teochew, and Cantonese, which are the main dialects widely spoken in South China and its urban villages. By breaking down language and identity barriers, I was able to engage in daily conversations and access further interview opportunities. I became a more “trusted” member of the respective clans as my informants were only Cantonese-speaking locals.

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<sup>76</sup> National Health and Family Planning Commission, 2013:17.

These interactions provided opportunities to connect with different groups of migrant households. Dozens of informal conversations were conducted with rural migrants who were traders, shopkeepers, security guards or ordinary tenants. I attempted to balance the population of the sample with the use of informal contacts, which allowed for a fair degree of flexibility and control. The age, occupation and kinship groups that are underrepresented in the formal interviews were hitherto supplemented by informal conversations. For example, these informal contacts evidenced the youth and educated generation's increasing anxiety, political awareness and negative attitude towards the power relations in the urban villages and towards the deprivation of their collective land rights by the state.

These everyday contacts enriched the ethnographic accounts and strengthened their validity.<sup>77</sup> With these new connections, I revisited some former interviewees on my own to verify previous testimonies and to explore new dimensions. These self-developed connections also brought me to the fourth urban village in the outskirts districts. Of course, the quantity of information is not comparable to that of the first three villages; for example, I did not gain access to the clan chiefs or the reports from the JC in the fourth village. However, this controlled case confirmed that the observations in the three urban villages were generally reliable and comprehensive.

### ***Ethical Issues and the Politics of Denial***

Because of the local situation, written consent was not feasible to obtain, and many interviewees considered such consent to be a liability rather than a protection. Nevertheless, verbal consent remained essential, and the interviewees were always informed that they could withdraw from participation at any time. In this study, I do not reveal the identity of any local bosses, grassroots officials or rural migrants, and I did not record their conversations or photocopy their minutes, notes or archives during the fieldwork. Without their consent and with the potential threat of retaliation from the authoritarian state, I honoured and rigorously upheld these research ethnics.

However, most interviewees occasionally allowed and even encouraged me to take photos of the space or the buildings, which would most likely implicitly reveal their identities if the authorities cared to investigate. I repeatedly raised this concern, and the following were

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<sup>77</sup> Carlson et al., 2010:72.

the most common responses that I received: “no worries (*meishi*)”, “that’s a different matter (*nashi lingyi mashi*)”, or “carry on (*jixuba*)!”

Their responses prohibited further clarification, and I was relieved to have the opportunity to document the field. Their behaviour was not only interesting but also illuminating. I refer to this behaviour as the *politics of denial*, indicating that the interviewees were convinced that they would not be liable as long as they were not openly identified. This consensual judgement between street-level cadres and village bosses illustrates their understanding of the norm or trustworthiness of the authorities, most likely nurtured by precedents or informants. In other words, these individuals were quite certain that they could avoid breaking hidden rules if they did not explicitly reveal their identity and if they shared information only with researchers, whose potential to draw media attention and generate “mass incidents” is low. Most importantly, this behaviour pattern implies the relative authority and autonomy of the grassroots agencies, which have subsequently driven me to examine and deliberate on this structured yet informal realm.

## ORGANISATION OF THE THESIS

In this introductory chapter, I have outlined how and why an understanding of the “development without slums” phenomenon is crucial for students who focus on development and change during rapid urban transformation and in the early stages of capital accumulation. This focus also provides an opportunity to assess the interplay *or* synergy of despotic power and infrastructural power in general and China’s authoritarian resilience and grassroots autonomy in particular. I discuss the theoretical background that frames our research questions and objectives and explain why a case study of Shenzhen’s urban villages involving document research, interviews, and ethnographic accounts is highly appropriate for studying this anomaly or particularity.

Chapter 2 examines the scale and pace of China’s urban contestation from a comparative perspective. I first establish the relations between rapid urbanisation and informal settlements in developing countries. I then criticise UN-Habitat’s definition of a slum as merely an aggregated measure of poverty, which neglects the social, political and time dimensions of slums and thus produces inaccurate cross-national data. I argue that the

absence of slums in China requires a more rounded analysis to assess the positive and normative implications of this setting. An operational definition of a slum involving public goods provision, social order maintenance and the durability of informal settlement is offered to compare and distinguish the migrant enclaves in China. The profile of each of the four urban villages is also examined to provide an overview of their differences from slums, their common features and their individual variations.

Chapter 3 documents how remaining socialist institutions constitute China's rural-urban divide, which shapes the pseudo-citizenship and enclosed living space of rural migrants. Built upon the *hukou* and *danwei* systems, these institutions are the integral parts of a targeted surveillance mechanism that aims to regulate rural-urban migration, differentiate welfare entitlement, and enforce social control. This chapter explains how the periodic adjustments of these systems and the empowerment of its proxies have not altogether redressed systematic discrimination against rural migrants but have nonetheless consolidated an intermediate realm that regularly provides essential public goods and services in the urban villages. This trade-off between eligibility and entitlement is crucial to explaining why China enjoys the impetus for economic growth while concurrently consolidating the threshold for social stability.

Chapter 4 seeks to explain how China's dual land system concurrently forms urban villages and provides exit points in the countryside for rural migrants. I first examine how the ambiguity of land ownership and land use rights has ensured that the local state and grassroots regime play a prominent role in the process of land transfer and expropriation. These institutional constraints explain why affordable and convenient shelters have been preserved for rural migrants during unprecedented migration and urbanisation. I also infer how the dual land system accounts for China's back-and-forth migration pattern and ultimately the exit points for rural migrants in the countryside. The formation of patronage between different stakeholders is emphasised to illustrate the dynamics of land appropriation and the contestations between the income-earning majority and the dividend-earning minority in the urban villages.

Chapter 5 compares the roles of intermediaries by measuring the degree of public goods provision, social order maintenance and social inequality entrenchment in four urban villages. I first describe how intermediaries at the grassroots level have thrived along with

community governance and service privatisation. I then explain the collaborative mechanisms through which crime rates are controlled, public amenities are produced, and service contracts are distributed in the migrant enclaves. By commercialising politics, these agencies establish a web of clients and reinforce one another's independence. China's migrant enclaves are thus prevented from collapsing into social decay and political anarchy as their third-world counterparts have, but the boundaries of contestation remain ambiguous, and the eligibility to negotiate and to be discharged from coercion often overrides concerns regarding due process and rightful entitlements.

Chapter 6 analyses the changing pattern of grassroots state-society relations during urban renewal. I first identify the emergence of a highly rational planning regime in China's sunbelt, which has been committed to promoting industrial upgrade, modern zoning and rational administration. Urban villages are hence considered the "others": the roots of social decay, a waste of land use value and a symbol of vice. Under this institutional and discursive approval, various intermediaries have practiced either protective or entrepreneur brokerage, despite knowing that urban renewal would have deprived them of their space and their value of existence. Although the fragility of urban village reveals the territory of informal politics amidst high-modernism, the demolition of migrant enclaves would have fuelled slum formation or social instability if the land and *hukou* systems had not respectively offered exit points for and nurtured disenfranchisement of the rural migrants.

Chapter 7 offers a migrant perspective of the social and spatial settings in urban villages and examines their relations with state power. Based on 60 semi-structured interviews, I first identify the primary mediators and their socioeconomic ties in urban villages. I then compare the native villagers and rural migrants' evolving roles in and attitudes towards these enclaves. By giving voice to the subaltern, I contest the notion that attributes rural migrants' economic hardship and political conformity to deep-rooted cultural factors. Yet I also find explanations based on kinship ties and generalised reciprocity to be inadequate. Instead, I demonstrate how divergence in trade and class, the timing and locality of settlement, and the division of outsider and insider serve to nurture collusion, segregation and personalised reciprocity among different social actors in urban villages. Although the internal power structure and external political access still favour local bosses, native villagers and clan chiefs, most dwellers benefit from everyday trades and security in the

territorialisation of politics. This explains the variations in their levels of appreciation or toleration of the embedded order.

Chapter 8 concludes this work by presenting the findings and assessing their implications. First, I illustrate that because of the mediation of intermediate agencies between the state and grassroots society, China's migrant enclaves demonstrate distinct characteristics compared with those in other developing countries while also sharing similar patterns of social transformation with the formal city. Second, I suggest that the regulated migrant enclave is a product of enduring contradictions in China's early stages of urbanisation and capital accumulation, in which the influences of surviving socialist institutions are as important as dominant market forces. Third, I illustrate the roles of these intermediaries, which are engaging but parochial, resourceful but dependent and exclusive rather than inclusive, have illustrated the mosaic interplay rather than purely synergy of despotic power and infrastructural power. During the course of privatisation and in the absence of electoral politics, I argue that the co-existence of regime resilience and social residence is essential to explain the structural stability and localised cohesion despite of periodic contestations at the grassroots level. I end this thesis by explaining why China's "development without slums" phenomenon is a particular manifestation of prevalent social transformation more than it is a negative case.

## 2. Urban Contestation and Migrant Enclaves in Comparative Perspective

### INTRODUCTION

This chapter surveys China's urban contestation from a comparative perspective in order to explore the meanings and accurate measurement of slums. I first describe how China's post-1978 urbanisation is exceptional both within its own history and across developed and developing countries. While this exception clearly demonstrates the proliferation of global capitalism since the 1970s that allowed China to urbanise at a much faster pace than early and late developers, it also calls for examining the conditions by which Chinese cities have been able to accommodate and manage this unprecedented scale of spatial-political contestation. By contestation, I refer not only to the dramatic increase in rural migrants in cities but also to their associated demands for public goods and services, the related challenges for social order and stability and the resulting changes in the intermediate space between state and grassroots society.

Common to China and other large developing countries is the emergence of informal settlements to accommodate such rapid increases in the urban population.<sup>78</sup> However, whereas most third world migrant enclaves have become slums, ghettos or squatter settlements, China's migrant enclaves have distinguished themselves in terms of public goods provision, social order maintenance and exit opportunities. This structure is essentially overlooked in UN-Habitat's definition of a slum, which is merely an aggregated measure of poverty, neglecting the social, political and time dimensions of slums and resulting in inaccurate cross-national data for comparison purposes.

By reviewing the literature on slums, I contest the power relations, economic roles and cultural footprints of such migrant enclaves. Not merely an indicator of poverty, slums also depict a wide-range of inequality, function as a political community, and reinforce their inhabitants' "sense of the place".<sup>79</sup> The absence of slums thus requires a more rounded analysis to assess the positive and normative implications of this setting. An operational definition of a slum that touches upon the availability of public goods, the degree of

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<sup>78</sup> Cross, 1998; Davis, 2006; Duhau, 2014.

<sup>79</sup> Tuan, 1977.

political anarchy, the embeddedness of socioeconomic inequality, and inhabitants' interpretations of this social order is deemed necessary. These objective and inter-subjective criteria serve to determine whether slums exist in China and to analyse the dynamics of conventional and informal politics in migrant enclaves. The profile of each of the four urban villages is then examined to illustrate their differences from slums, their common features and their individual nuances.

## CHINA'S UNPRECEDENTED URBANIZATION

China was an underdeveloped country dominated by an agricultural population when the People's Republic was founded. In 1949, China had 132 cities, an urbanisation rate of 10.6 per cent, and a total of 58 million people living in urban areas. By 2012, these figures had risen to 658 cities, an urbanisation rate of 52.6 per cent, and a total of 712 million people living in urban areas.<sup>80</sup> Between 1980 and 2010, the first three decades of reform and opening of the economy (*gaige kaifang*), China's urbanisation rate grew from 20 to 50 per cent, indicating the addition of approximately 540 million people to its urban population. As of 2014, China had a total of 103 cities with a population exceeding 5 million, compared with 38 such megacities throughout the rest of the world.<sup>81</sup> Only 30 years were needed for China to reach 30 per cent growth in its urban population, whereas the same increase took 170 years in Britain (1720-1890), 60 years in the United States (1860-1920), and 40 years in Japan (1925-65).<sup>82</sup>

China's urbanisation is equally unprecedented relative to its contemporary counterparts. Table 1 shows that China's urban annual growth rate reached 4.52 per cent and 5.53 per cent in 1980–1995 and 1995–2010, respectively, surpassing the records of all of the developing giants and the averages for Southeast Asia and South America (except for Indonesia in 1980–1995). Commonly known as the BRICS, these countries are suitable for

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<sup>80</sup> UN-Habitat, 2010:13; National Bureau of Statistics, 2013:1.

<sup>81</sup> Calculated from NBS, 2014b: 13-19, United Nations Department of Economics and Social Affairs, 2010.

<sup>82</sup> The exact figures are 19.6 to 49.8 per cent for China, 19.8 to 51.2 per cent for the US and 50.8 per cent for the UK (NBS, 2012; USCB, 2012; Mellor, 1983). The official figures for Japan are 21.5 per cent in 1925, 37.1 per cent in 1950 and 56.1 per cent in 1955. Japan's urbanisation was first reversed by the war during the 1940-45 period and then increased by 19 per cent within 5 years, largely because of the reshuffling of county and municipal boundaries in 1953. Japan's Economic Planning Agency recognises that the measure of the urbanisation rate is contestable for this period, and the OECD estimates that Japan's urbanisation rate reached 50 per cent in the mid-1960s (JEPA, 1995; JSB, 2010; OECD, 2010:18).

comparison because they share certain features with China. First, they represent the most dynamic newly industrialised countries that have the potential to catch up with the West. Second, these countries share an export-oriented development trajectory in becoming the chief benefactors, and sometime defenders, of global capitalism. Third, their enormous size in terms of population and area ensure that they have a comparable magnitude of urban contestation. Based on these criteria, Russia is excluded from the list because it is generally not considered a late developer and because its post-Soviet development has primarily been driven by the sale of primary resources. South Africa is also excluded, as its economy has been dominated by the tertiary sector, and its slums primarily resulted from the policy of apartheid rather than from urbanisation.

**Table 1 Urbanisation of Large Developing Countries, 1980-2010**

	Urban Population (‘000)	Urbanisation (%)	Urban Annual Growth Rate (%)	Annual Change in Urban Population (%)
	1980		(1980-1995)	
Brazil	79,621	65.5	3.03	1.13
China	189,886	19.4	4.52	3.12
India	159,984	23.1	3.07	0.93
Indonesia	32,401	48.4	4.95	3.00
Mexico	45,626	66.3	2.63	0.67
South Africa	14,080	22.1	3.13	0.79
<i>Southeast Asia</i>	90,822	25.5	4.00	2.00
<i>South America</i>	162,347	67.4	2.60	0.89
	2010		(1995-2010)	
Brazil	169,098	86.5	1.99	0.72
China	635,839	47.0	3.53	2.79
India	364,459	30.0	2.42	0.81
Indonesia	102,960	44.3	2.76	1.46
Mexico	88,272	77.8	1.77	0.39
South Africa	31,155	61.7	2.16	0.83
<i>Southeast Asia</i>	246,701	41.8	2.67	1.29
<i>South America</i>	330,228	84.0	1.62	0.47

Source: UN-DESA, 2011. *World Urbanization Prospects: The 2011 Revision*.

China’s urbanisation clearly stands out among this group of those profiting from globalisation. The average annual change in China’s urban population was 3.12 per cent and 2.79 per cent during the 1980-1995 and 1995-2010 periods, respectively, figures that are 1.6 to 6 times the regional average. China’s urban population also reached 634 million in 2010, which exceeded the combined urban populations of Brazil, India, Indonesia and Mexico in that year. These data suggest that China’s urban transformation has been rapid and massive, both in absolute terms and according to international standards.

Hence, the scale and pace of China's post-socialist urban transformation are exceptional both within its own history and across the world.<sup>83</sup> This exceptional development is vital because it clearly demonstrates the proliferation of global capitalism since the 1970s, which allowed China urbanise at a much faster pace than the early developers in the West, Latin America, and Southeast Asia. This situation also calls for examining the conditions by which Chinese cities were able to accommodate and manage this unprecedented scale of spatial contention. Certainly, urbanisation is not only a geographical phenomenon involving the movement of people and increased productivity but also a series of socio-political contestations such as demands for public goods, challenges to social stability and the production of new actors such as rural migrants and an urban middle class.

In fact, China's rapid industrialisation and urbanisation prompted a massive demand for labour, widening the rural-urban income disparity and exacerbating contestation for urban space and dwelling. Millions of rural migrants who are granted geographic mobility for travel and work but are denied socioeconomic entitlements, such as *danwei* compounds and subsidised housing in host cities, are forced to seek accommodations on their own. Between 1978 and 1999, net migration and natural growth respectively constituted 74.8 and 25.2 per cent of the total increase in urban population.<sup>84</sup> By 2014, the total number of rural migrants or floating population had reached 274 million, of which about 168 million were working in the urban centres in other provinces.<sup>85</sup> In 2013, the provinces or direct municipalities of Guangdong, Shanghai, Beijing, Zhejiang, and Jiangsu respectively constituted 29.45, 22.13, 12.20, 10.09 and 8.28 per cent of the inter-provincial rural migrants.<sup>86</sup> The Guangdong province, where Shenzhen is located, has thus absorbed nearly one-third of the total inter-provincial migrants who stayed longer in, and demanded more goods and services from, the host cities.

This severe urban contestation has created migrant enclaves known as urban villages within booming Chinese cities. Ma and Xiang first identify peasant enclaves as a "new urban mosaic that did not exist in Maoist China" and connect their formation with the

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<sup>83</sup> The rate of urbanization of all developing giants, including the BRI(C)S, has fallen behind that of China. The principal counterexample to China's exceptional situation is the urbanisation of South Korea, which required approximately 27 years to reach the 50 per cent benchmark from a base of 20 per cent (UN-DESA, 2010).

<sup>84</sup> Zhang and Song, 2003:388.

<sup>85</sup> China Labour Bulletin, 2015.

<sup>86</sup> National Health and Family Planning Commission, 2014:177.

resurgence of kinship.<sup>87</sup> Scholarly attention has since been diverted to focus on the nature and characteristics of such migrant enclaves. Most of this literature recognises the functions of urban villages in enabling rural migrants to station, work, and survive in cities during a course of rapid urbanisation and internal migration.<sup>88</sup> However, urban and public policy studies that have selected urban villages as a subject of enquiry have also explored how informal settlements encounter an urban planning regime. Notwithstanding the critical perspectives offered by this body of literature, these studies largely treat urban villages as externalities that result from unclearly defined property rights, ineffective land use or spatial irregularity. Urban villages have occasionally been considered “slum-like” without concrete reasons cited for this comparison.<sup>89</sup> Implicit in this argument is that urban villages are a “new problem” (*xinwenti*) in need of a solution. This perspective aligns with state policy that aims to eventually demolish urban villages.<sup>90</sup>

Admittedly, a number of sociological and anthropological studies have touched upon urban villages. However, urban villages are largely treated as an indicator rather than as a subject of their own. Several prominent studies have also focused on relatively homogeneous villages (such as Zheijang Village in Beijing or Hunan Village in Shanghai) rather than on the heterogeneous enclaves that we aimed to study. Furthermore, less featured in this body of literature is a comparative analysis of slums and China’s urban villages, as well as the power relations and economic roles of such migrant enclaves in the course of new governance initiatives and further economic liberalization.<sup>91</sup>

## DISCURSIVE CONSTRUCTIONS OF SLUMS

Because of diverse understandings of urban space, the term “slum” is perceived in different ways. Central to this divergence are the political order, economic equality and social functions of slums and the question of how to categorise and manage them. The Chicago School of Sociology pioneered the study of slum by revealing its disorder and irregularity, of which high modernist architects concur and consider it to be a social problem but also a

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<sup>87</sup> Ma and Xing, 1998:546.

<sup>88</sup> Davis, 1995; Friedmann, 2005:70-74; Hsing, 2010:122-132; Song et al. 2008.

<sup>89</sup> Tian, 2008:290; Miller, 2012:25.

<sup>90</sup> Davis, 2000; Wu et al., 2007; Lin, 2009; Zhang, 2011.

<sup>91</sup> Zhang, 2001; Xiang, 2005; Logan, 2008.

planning opportunity. In light of the spread of neoliberalism, Marxist political economists touch upon this increasingly global phenomenon and emphasises the entrenched inequality of slums. Based on detailed ethnographic and longitudinal studies, humanitarian socialists and critical geographers, while not completely against the above findings, accuse these framings of inventing witchcraft and insist on the ordinariness, vivacity and functions of these enclaves. These perspectives respectively interpret a slum as a hotbed of social disorder and hence a target for elimination, a symbol of entrenched inequality and hence an arena for resistance, or a community of vibrant interactions and hence a space to be preserved.

### ***Hotbed of Social Disorder***

Although Victor Hugo and Fredrick Engels had discovered slum as a phenomenon, the systematic study of it pioneered at the city of Chicago, where the sociologists were seeking answers on the social impacts of rapid urbanization and increase in social mobility. While they recognise the dynamics of economic growth associated with migration, they also conclude that urbanization and industrialization caused structural social changes, contributing to the disintegration of preexisting norm and the weakening of social control in the cities.<sup>92</sup> Slum is thus considered as a transitional zone essential to serve the city centre and yet far from being a pleasant and stable community. Slums are perceived as the others where violent crimes, low wages, poor working conditions and vice collide with each other.

Although there are attempts to normalise the social order in the subaltern, the established dichotomy between disordered/transitional migrant enclaves and congruous/commuter middle-class suburbs continues to inform urban planning and influence public opinions.<sup>93</sup> This concurs with high modernism that stresses neutrality in the administrative ordering of spatial forms and mastery of the environment to aid in capital accumulation. According to renowned modernist planner Le Corbusier, a city planner's design must be implemented and "freed from the pedestrian pressures and special interests".<sup>94</sup> Central to this abstract or aerial view is the use of functional zoning and megaprojects to promote the desired urban space and aesthetic values that shape urban dwellers' relationships with one another, with

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<sup>92</sup> Park and Burgess, 1984:54-56, 108-11; Thrasher, 2013:3-44; Zorbaugh, 1983:9-16.

<sup>93</sup> Bairoch, 1988; White, 1993; Hall, 2002.

<sup>94</sup> Cited in Hall, 2002: 225.

the state and with nature. Once the urban space is carved into multiple single-purpose zones, it becomes cost effective and easy to govern. This rationality principle has gradually reduced the aim of urban planning to the realisation of the exchange value of land in the market<sup>95</sup>. The purpose of rational zoning is to “[replace] a city of history with a city of science” in which “social order is defined by architectural order”.<sup>96</sup>

Although ideal modernist projects have rarely been conceptualised, Jane Jacobs reminds that the ethos of modernism remains illuminating by promising a utopian form of modernity that can be standardised and applied by late developers.<sup>97</sup> New nations and developmental regimes are particularly vulnerable to such high levels of modernity, which visualise national progress and materialise the “Rest’s” enduring dream of catching up with the West.<sup>98</sup> Naturally, the audience for a safe and ordered space is not only domestic but also international. International regimes, national governments, and city planners are united in regarding slums as the externalities of development or as indicators of backwardness. Any policies or measures that could retard the formation of slums or eliminate them are welcome.

In China, the real estate boom and investment-driven growth since the 2000s have produced excessive demand for housing and shopping centres, thereby spreading cosmopolitan aesthetics and intensifying the competition for land.<sup>99</sup> Housing, which was previously a form of social security, has increasingly become a market commodity provided by private and profit-driven enterprises. Transformed into a “concrete dragon”, the best architects and architectural firms in the world have participated and made fortunes in China’s megaprojects and urban development.<sup>100</sup> Individual autonomy has increased, and modern aesthetics have evolved and come to define China’s cosmopolitan urban space.<sup>101</sup> Two questions arise: How has the competition for land in China’s prime cities managed to shelter rural migrants despite the increasing privatisation of land use rights and the commercialisation of housing? To what extent have migrant enclaves been preserved or

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<sup>95</sup> Barnett, 2011:51-55

<sup>96</sup> Scott, 1998: 104.

<sup>97</sup> Jacobs, 1992.

<sup>98</sup> Prakash, 2008; Bishop et al., 2013; See also *Urban China*, 2013 for a discussion of the bewilderment and aspiration of modern city planners in China.

<sup>99</sup> Visser, 2010; Hsing, 2010.

<sup>100</sup> Campanella, 2008.

<sup>101</sup> Lin, 2009; Howell, 2009.

integrated into the formal city, both functionally and politically, under rational zoning?

### ***Symbol of Entrenched Inequality***

Although Marxist political economy approach does not consider slums to be desirable, it does consider them to be provocative in terms of class consciousness and collective mobilisation. Slums are regarded as a visual symbol of widespread inequality and spatial anarchy originated and intensified by global capitalism. Whereas cheap and abundant labour is required for an export-oriented economy and capital accumulation, redistribution efforts targeting migrants are currently lacking in the rescaling of government.<sup>102</sup> Cities in the Global South have thus magnified the politics of gentrification, with squatters, dirty streets, beggars, and other victims of capital accumulation increasingly segregated or marginalised.<sup>103</sup> Davis concurs that the downsizing of the public sector and the privatisation of urban space have entrenched migrants and the poor in shantytowns and squatter settlements, with most such inhabitants suffering from poverty, lacking education and health services, and being trapped at the periphery.<sup>104</sup>

The prevalence of grievance is articulated as an opportunity to redress the social injustice generated by global capitalism. Smith has long regarded the widespread process of gentrification as advancing a new urban frontier.<sup>105</sup> Mitchell and Harvey also link the enunciation of progressive politics to the occupation of public space.<sup>106</sup> Liberalisation has spread urban poverty and resulted in shabby enclaves, and corporatist states are simultaneously required to provide an orderly and hygienic landscape to attract capital investment. Open resistance among the marginalised in gentrifying neighbourhoods thus reveals this contradiction and draws attention to the pattern of inequality. Organised along the theme of deprivation and resistance, urban space is treated as a social frontier in which people contest injustice and exercise their rights as citizens. Slums are viewed as both a problem and an *opportunity* whereby the grievances of the poor and migrants are visualised and organised resistance on their behalf is possible.

Undoubtedly challenged by neoliberal forces, China is increasingly adapting to, if not

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<sup>102</sup> Wade, 2011; Ward, 2007

<sup>103</sup> Moore, 2009; Tomic et al. 2006.

<sup>104</sup> Davis, 2006.

<sup>105</sup> Smith, 2008.

<sup>106</sup> Mitchell, 2003; Harvey, 2012.

favouring, severe decentralisation and privatisation measures. In the mid-1990s, central administrative and fiscal competencies were devolved to local authorities, which have been committed to attracting cheap labour and developing an export-oriented economy.<sup>107</sup> By the early 2000s, state-owned enterprises also underwent large-scale privatisations, the *danwei* system disintegrated, and many social services were contracted to private companies. The size of China's public sector decreased from 72 to 28 per cent of GDP between 1978 and 2008.<sup>108</sup> Other socialist institutions, such as the *hukou* system, have continued to deprive rural migrants of the right to receive socioeconomic entitlements in the cities. It thus becomes imperative to measure the degree of public goods and club goods provision to rural migrants and to assess in the ways in which these goods have become a form of self-help. This limited occurrence of organised resistance in urban villages also raises concerns regarding whether the communist regime has retreated from economic production while maintaining its social control or whether other mechanisms have become involved.

### ***Vehicle of Dynamic Communities***

A specific type of humanitarian socialism tends to criticise the above perspectives for *inventing* the problem of slums and presenting a top-down, holistic approach to the issue. These observers urge a research agenda that would seriously consider migrants' perceptions of this social-spatial setting and the dynamics of their inhabitancy. Fishers, McCann and Auyero argue that slums or shantytowns are more durable, multifaceted and integrated into Latin American societies than the modernisation or Marxist political economy theories have allowed.<sup>109</sup> Through her ethnographic accounts of slums in four continents, Neuwirth concurs that slums, although irregular and substandard, are lively and not as threatening or exploitative as commonly assumed.<sup>110</sup> Although Calderia portrays Sao Paulo as a "city of walls" in which the rich have repeatedly barricaded themselves from the poor, this segregation is argued to be primarily caused by a reinforced fear of shantytowns or *barrios* rather than being a function of class and wealth.<sup>111</sup> In detailed ethnographic studies of Rio de Janeiro's squatters or *favela*, Perlman argues that these

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<sup>107</sup> Wang, 1997; Zhang, 1999.

<sup>108</sup> Huang, 2008:21; National Bureau of Statistics, 2010a.

<sup>109</sup> Fishers et al., 2014.

<sup>110</sup> Neuwirth 2006.

<sup>111</sup> Calderia 2000.

communities are not marginal but fully embedded into the urban economy.<sup>112</sup> Finally, Matthews, in his study of a ghetto at the heart of Hong Kong, reveals how its motley group of inhabitants operate businesses and pursuit profit, exchange goods and ideas, and live a vibrant life under low-end globalisation in contrast to the seedy and dangerous images reinforced by the elite.<sup>113</sup>

These anthropological accounts thus reject the idea that economic structure alone determines spatial relations. Rather, these observers emphasise the social interactions encompassed in the development of vibrant and durable enclaves. Explicit in their argument is that slums are and should be perceived as ordinary communities, neither representing an externality to be eliminated nor serving as a space to mobilise resistance. The everyday interactions of small-time actors have adapted to or profited from global capitalism. This perspective provides a different lens to address and interpret the absence of the slum phenomenon in China. This view demands a bottom-up study of whether rural migrants approve of the public goods allocation mechanism and accept the socio-political settings that prevail in urban villages.

This approach also involves questioning why migrant enclaves can be considered ordinary and how these spatial forms and economic centres can exploit or empower inhabitants. Central to these enquiries is a relational concept of power along with its grassroots focus that has gradually emerged in the debate concerning the intermediate realm that exists between state, market and non-state actors in urban China, including the works of Li Zhang, Biao Xiang, David Bray and Benjamin Read. However, these authors address either the highly homogenous migrant enclaves or *danwei* in North China, which have long and distinguished socialist origins and trajectories, or the RC, which is more formal in terms of hierarchy and organised in structure.<sup>114</sup> But in South China, most of the urban villages are *heterogeneous*, and migrants of different clans or lineages compete with one another for power and resources. Some of them even occupy different corners or streets in each village, and for historical and institutional reasons, they have different levels of political access.

### ***Trajectories and the Loci***

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<sup>112</sup> Perlman, 2011.

<sup>113</sup> Matthews, 2012.

<sup>114</sup> Zhang, 2001; Xiang, 2005; Bray, 2005; Read, 2007.

Notwithstanding the value of the first two theoretical traditions, I contend that they are slightly deterministic in logic and exogenous in focus. These traditions tend to assume a linear path for urban futures among late developers, in which the state and the people are viewed as collective entities respectively promoting or resisting those futures. Because most studies in this third tradition were developed in Latin America and Africa, their idiosyncratic context often assumes clientelism as reciprocal or political anarchy as normal. However, these assumptions are rather unwarranted in China, which has experienced communist and social revolutions followed by a series of market reforms. In this context, the influences of socialist institutions and collective agencies are as important as modernist principles or neoliberal forces.

By the same token, although my thesis very much adopts the theoretical lens of the third tradition, I try to make some distinctions. First, I prefer to use the term “locality” instead of “community”. This is because the structural underpinnings of the word community often assume cohesion or interconnectedness in the specific enclaves as given, which prohibit the study of the distinct loci of interactions and a heuristic understanding of the flexible, adaptive and varied patterned of grassroots politics. Second, I avoid treating migrants as a unified entity. This is because this implicitly assumes the presence of particular culture prevailing among particular social grouping. Accordingly, some deeply rooted peasants’ psyche, habits and values such as “eating bitterness”, “culture of poverty” and “endless patience” are attributed as the obstacles to their own socioeconomic progress or the reasons that some many injustice are tolerated from one generation to another.<sup>115</sup>

Although these explanations are not entirely inaccurate or purely mythic, they are either incomplete or overly generalised. The cultural thesis cannot articulate the agency’s informed calculations, and it does not pay sufficient attention to the variation in resistance and claims between different localities. Why, despite sharing a similar political culture, did peasants in the native country and workers in factory dormitories become more contentious than migrants in urban villages? Similarly, the structural thesis tends to underplay the influence of socio-political institutions along with the agency’s adaptations. Migrant enclaves are regarded as all but self-limiting, self-reproducing or static entities, without acknowledging their connections to the formal city and their external relations with the

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<sup>115</sup> Some public intellectuals and media commentators in China widely but also casually adopt these notions. See Ashwin, 1998:187-98; Lewis, 2011:xxvi; Loyalka, 2012:97-152, 242-245 for detailed elaborations.

local government as well as the political consequences.

## AN OPERATIONAL DEFINITION OF SLUMS

The United Nations Human Settlements Programme (UN-Habitat), an international organisation devoted to promoting sustainable human settlements for all, has provided a working definition of slums. This effort has enabled international estimations and cross-country comparisons. Based on this definition, the slum population of the developing world is estimated to have increased from 776.7 million in 2000 to 827.6 million in 2010.<sup>116</sup> Hence, in East Asia, including China, 36.5 per cent of the urban population was classified as living in slum households in that year, and this figure was identical to the average in the developing world. A slum household is defined as one lacking *one or more* of the following conditions:<sup>117</sup>

- i. access to improved water,
- ii. access to improved sanitation facilities,
- iii. sufficient living area,
- iv. the structural quality and durability of dwellings, and
- v. the security of tenure.

These five criteria are clearly indices of access to essential goods and services or living standards, and all of them are commonly exhibited in developing countries as a result of their low and unstable income, lack of public infrastructure, and inefficient management, among other causes. Hence, UN-Habitat's definition of a slum is nearly identical to measurements of poverty, thus failing to recognise the communal interdependency, political anarchy, and durability shared by such urban enclaves.

Second, China's migrant enclaves are relatively invisible and small in scale. A recent report by UN-Habitat praises the achievements of urban planning in China<sup>118</sup>, where migrant enclaves are minute and sporadic urban villages that are always served, albeit primitively, by public amenities such as pathways, electricity, water supply, schools, and clinics.<sup>119</sup> Housing in urban villages is primarily built with durable building materials with

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<sup>116</sup> UN-Habitat, 2011.

<sup>117</sup> UN-Habitat, 2009: 196.

<sup>118</sup> UN-Habitat, 2010:108-115.

<sup>119</sup> Zheng et al. 2009:433-434; Wang and Wang, 2009:144.

foundations and roofing and rented to migrants by the indigenous villagers who own the land.<sup>120</sup> Third, the various forms of migrant settlements in China reveal the limitations of these cross-national data. Instead of building slums or squats, an increasing number of Chinese migrants are living in factory dormitories, public housing or associational compounds.<sup>121</sup> This variety of settlements largely satisfies criteria (i), (ii) and (v) but often does not meet (iii) and (iv). The Governing Council of UN-Habitat states as follows:

When driving by a slum, you will most probably be repulsed, but perhaps subconsciously, you are tempted to blame what you see on those who actually live there. Everyone, especially those who live there, *wishes slums would just go away* (author's emphasis).<sup>122</sup>

This statement implies that slums are the host and source of urban poverty and hence should be eliminated. The international agency has since standardised the definition of a slum household and incorporated an agenda for the demolition of slums into the United Nations Millennium Development Goals, which sought to improve to the lives of at least 100 million slum dwellers by 2020 and to reduce the number without sustainable access to safe and drinking water by half.<sup>123</sup> However, as the literature review suggests, slums should not be simplified into an indicator of poverty and underdevelopment; they also serve to reveal political anarchy, social inequality and their inhabitants' sense of place. The absence of slums thus requires a more rounded analysis to assess its positive and normative implications. Our operational definition of slums hence comprises the following four criteria:

- i. A source of urban poverty by which the inhabitants' welfare and public goods provision are perpetually marginalised;
- ii. A space of political anarchy in which the coercive force of the state is substituted by gangs or bosses and sabotaged to periodic instability;
- iii. An enclave of entrenched inequality in which the inhabitants are either disenfranchised from the rights to voice or deprived of the capacity to exit;
- iv. A dynamic and evolving structure such that the inhabitants' perception of the enclave and attachment to it matter.

Specifically, we use several indicators to measure the form, nature, embeddedness, and

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<sup>120</sup> Zhang et al., 2003:923; Tian, 2008:292.

<sup>121</sup> See Ministry of Public Security, 2004-2013 or table 5 below; Zhou and Cai, 2008: 226-236.

<sup>122</sup> UN-Habitat, 2007: 1.

<sup>123</sup> UN-Habitat, 2010:7-9.

acceptance of China's migrant enclaves. First, to assess whether an urban village is a source of urban poverty, I identify the average income and source of income of the inhabitants, including native villagers and rural migrants. Their normal and disposable incomes are then contrasted with those of urban dwellers possessing urban *hukou* and living in commercial buildings. Although the general pattern is that inhabitants of urban villages earn less than individuals living in commercial properties, there are substantial nuances among urban villages and their social groups. Second, to measure the extent of social order, I compare the crime rates of urban villages with those of other gated communities and the city average and analyse whether such statistics are reliable and their differences significant. The actors and mechanisms accounting for the relative governance with the enclaves are also examined. Although the state does not directly rule the migrant enclaves, it relies on some intermediaries to reinforce the boundaries of authority and to maintain social order in these enclaves. Third, to measure the degree of entrenched inequality, I examine the voice and exit strategies employed by rural migrants within different contexts. The mechanisms that they adopt to negotiate with the state during everyday politics and the concerns that lead them to leave for more removed areas or return to the countryside during urban renewal are contrasted. Finally, I rely on in-depth interviews and participant observations to trace how the rural migrants explain and interpret their residence in and relations with informal settlements. I find that territorial politics has combined with clan and business ties to justify most inhabitants' perceptions that they are not living in a slum and will not do so.

### ***Structural Differences among Migrant Enclaves***

Apart from analysing these objective and subjective criteria, I find that certain structural settings have differentiated the migrant enclaves in China from its third world counterparts from the very beginning. First, slums and urban villages function differently amidst urbanisation. Whereas Latin American and African slums are a catalyst *for* urban expansion, the urban villages in China are the results *of* urban expansion. Because the urban villages and slums respectively serve as centrifugal and centripetal forces during urbanisation, the former are sporadically located and small in scale, whereas the latter are rather concentrated and extensive. Urban villages in South China typically house 40,000 to 80,000 inhabitants, whereas *favelas* in Rio de Janeiro, *barrios* in Mexico City, *shantytowns* in Mumbai and *squatter settlements* in Mali house as many as half million inhabitants. Size is important because it structures the demand for public goods and the

efficacy of social order. This structural difference makes urban villages relatively easier to govern than their third world counterparts. Nevertheless, the movement of millions of migrants into Chinese cities presents severe challenges for the urban redistribution system and public order.

Land ownership is the main factor that differentiates the trajectory of contestation between third world slums and China's urban villages. In contrast to migrants in slums, who have less ground for making claims to illegally constructed informal settlements and illegally occupied urban land, native villagers in China's urban villages possess exclusive land rights to construct their apartments. Likewise, the migrant residents in such urban villages usually retain land rights back to their rural villages in the native place. Hence, although both types are called migrant enclaves, the ownership and demographic structures of urban villages are much more complex. This invites us to describe their unique or distinguished characteristics and to explore how such informal settlements are governed.

The dynamics of the political system also have considerable effects. Various studies of slums in Latin America and South Asia reveal that these slums often function as ballot boxes in which migrants exchange votes for goods and services from local politicians or parliament members.<sup>124</sup> Accordingly, redevelopment projects or infrastructural upgrades are either deterred or installed in these migrant enclaves. Voters in migrant enclaves thus function as an integral part of patron-client networks in these electoral or liberal democracies. Regardless of their status in the city, rural migrants make use of their citizenship to negotiate access to public goods and services. This draws us to explore the mechanisms for grassroots negotiation and rightful resistance in China's authoritarian context and its urban-rural divide.

## **CHINA'S MIGRANT ENCLAVES**

Urban villages have long been considered an alien space by city authorities and local citizens. When I visited cadres and officials, friends and relatives, and ordinary citizens during my fieldwork in Shenzhen, authorities and local citizens often questioned the value

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<sup>124</sup> Perlman, 2010; Rodgers, 2014: 133-139; Fischer, 2014: 20-26.

of studying the dark side of the sunbelt city. Even the local bosses, native villagers and rural migrants, who are the insiders, were also surprised that I was interested in exploring their everyday lives and understanding their problems and desires. The following are some typical comments that I encountered during my repeated visits.

Prostitutes, gambling and drugs are clustered in many urban villages; they are our security threats [*zhian yinhuan*]. But the situation is improving, and getting rid of them is a just matter of time; they [urban villages] have no future (City planning official in charge of a district redevelopment project).<sup>125</sup>

We only go to the urban village next to our complex to repair our vehicles; it looks chaotic [*luan*] and full of bad persons [*huai fenzi*]. We never allow our child to enter or pass through these areas. People might disappear or get hurt; they are dangerous (Urban couples living in modern high-rises).<sup>126</sup>

My family got more than 40 apartments in *Shi* village. But after several robberies during site inspections, we decided to subcontract the renting business to other middlemen. An estate agent and clan broker would serve as middlemen to make the deal and collect the rent. Safety takes priority [*anquan zhishang*] (Native villager living in a suburban villa).<sup>127</sup>

The migrants are so different; they cannot and will never be part of us. They are poor, unhygienic, deceptive, and always come and go. Unlike us, they spend most of their money and neglect their clan. That's why we need to monitor them while maintaining a distance [*baochi juli*]. This is the boundary (Deputy of a RC holding government appointments).<sup>128</sup>

Clearly, the fear of urban villages and the discrimination against the inhabitants of such informal settlements have come not only from outsiders but also from insiders. This solidified image is a combination of perception and reality. Three levels of explanation can provide insight as to why so many local citizens, including those who come from a different class and habitus, who supposedly govern the enclave and who profit from the property rentals in it, are unanimously united against its presence and connotation. First, these citizens are not simply in fear of *the space*; more precisely, they resent the rural migrants living in *the space*. Except during the early reform period in the 1980s, when factory girls (*da gongmei*) occupied a respected profession, the state and urban society have not regarded migrant workers as equals.<sup>129</sup> Instead, rural migrants, albeit an essential means of production for the export-oriented economy, are often portrayed as subordinate non-citizens or as threats to social stability. Contrary to this perception, many residents of

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<sup>125</sup> Interview, local government official, Shenzhen, 21 August 2012.

<sup>126</sup> Interview, local citizens, Shenzhen, 2 September 2012.

<sup>127</sup> Interview, village bosses, Shenzhen, 17 March 2013.

<sup>128</sup> Interview, native villager, Shenzhen, 23 March 2013.

<sup>129</sup> Pun, 2005; Chang, 2009:98-119.

urban villages are not the typical urban poor: they are productive citizens and migrants who hold jobs or operate businesses.<sup>130</sup> This reality reflects the deep rural-urban divide in China and satisfies criterion 1 concerning the spread of urban poverty in urban villages.

Second, more precisely, the fear is embedded in the differentiation of the owners and brokers of global capitalism from its toilers, illustrating the division between classes and class relations. In fact, the chaotic images or descriptions of urban villages as havens for illicit activities are neither accurate nor comprehensive. As demonstrated in chapter 4, the crime rates of the urban villages in Guangzhou and Shenzhen were comparable to the rest of these metropolises; some wealthy urban villages that could afford to install closed-circuit television systems (CCTV) actually had lower crime rates relative to those of modern gated communities. Furthermore, the majority of urban villages have not fallen under the control of gangs or entered into anarchy in the midst of surveillance from police and private security guards. By portraying urban villages as a “scar”, “ill” or “cancer” afflicting the city, official media and city authorities have stigmatised their residents as burglars, drug addicts or even murderers.<sup>131</sup> The everyday control and eventual demolition of urban villages are therefore easily justified. In other words, this scenario reflects criterion 4, the infiltration of state power into urban villages.

Third, one must also recognise, however, that intra-group discrimination and social emulation are class factors as much as judgements of taste. Because of the difference in social and cultural capital, middle-class parents would not allow their children to enter urban villages, fearing that they would acquire the habits or be attracted by the goods of the lower class.<sup>132</sup> By the same token, although native villagers originated from urban villages and have continued to make a living by renting inexpensive urban village apartments, they have made increasingly conscious attempts to disassociate themselves from their rural and hence inferior origins. This tendency draws our attention to criterion 3 regarding how the perception of the self among different social groups appropriates the image of and power within urban villages.

Nevertheless, fear is not merely a matter of construction; instead, it reflects certain facts.

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<sup>130</sup> Ren, 2013: 139-143; Loyalka, 2012:9-35.

<sup>131</sup> Al, 2014:5.

<sup>132</sup> See Bourdieu, 1984.

An urban village is clearly an enclave or an island that is distinguished from its surrounding landscape. The enclave is *in* Shenzhen, supporting the city's export-oriented economy and resembling certain features of a slum. However, it is not *of* Shenzhen in the sense that it reflects a relic of an uneasy past or a form of unsustainable economic model from which the vanguard city seeks to be detached. Moreover, an urban village is not compatible with the grand history and relatively consensual image of the sunbelt city. It is this form of softened alienation rather than the hard evidence of crime and vice that characterises and distinguishes urban villages from the rest of the city and from slums in the developing world. From this perspective, one must consider criterion 4 regarding whether residents or tenants are disenfranchised from the rights to voice or deprived of the capacity to exit. Although these migrants might be denied citizenship and exploited by global capitalism, the provision of shelter and the necessity to maintain stability within it do provide hope to the most disadvantaged. This interplay reveals the priority of migrants and the mechanisms of local governance in China.

However, the everyday behaviours of outsiders suggest that urban villages are not as dangerous as perceived. On the contrary, these enclaves are socially and politically integrated into the landscape of the modern city. When asked how frequently they travel in and traverse the urban villages, the respondents suddenly realise that they are connected to these enclaves or "islands" more often than they had imagined. For instance, *Shi* Village is at the heart of Futian district, Shenzhen's administrative and commercial centre. Bypassing it would also mean bypassing the traffic arteries and multiplying travel time, a sacrifice that very few citizens are willing to make. Likewise, *Gong* Village is an integral part of a chain of global capitalism where labourers, factories and outlets are adjacent to one another. Certain goods and services are easily available and are supplied in large amounts in urban villages, including sex workers, cheap apartments, indigenous foods (*tute chan*) and knock-off goods (*shanzhai huo*). In other words, the divergence between words and actions invites us to explore the special features of China's migrant enclaves and the power relations within them. China's urban villages might resemble the features of slums in the developing world in certain ways, but they are largely a different form of slum.

## **PLACE, PEOPLE, TRADE AND ORDER**

How special are China's urban villages? What aligns and distinguishes the four urban villages from one another? I attempt to answer these questions by comparing the basic features or the places, people, trade and social order in these migrant enclaves. Following the economic reforms, coastal cities such as Guangzhou and Shenzhen have expanded, absorbing once rural areas into their urban perimeters. Subjected to China's dual-land system, the urban villages were able to provide affordable shelters in the city centres. Hence, for most of the post-reform era, migrant workers constituted the majority of residents in these four urban villages. In addition, because of these rural origins, each of the four urban villages was informally governed and served by a VC and then privatised into a JC in two waves in 1992 and 2005. Renting apartments, most of which were built illegally and expanded rapidly, is a major source of income for native villagers, but the trade within urban villages varies significantly. This feature ultimately differentiates the migrants with respect to class and identity.<sup>133</sup>

*Nong* Village is famous for the production of both authentic and fake paintings and for its artistic atmosphere. A Hong Kong merchant brought the oil painting industry to this remote village in the northwest Longguan District of the city in 1989. The fake paintings industry was initially not a great success. Hence, native villagers began to leave while rural migrants arrived to obtain inexpensive apartments. By the late 1990s, the village gradually established itself as a sociocultural phenomenon through reports in local and national media. More design factories and art production companies chose to establish their businesses there to benefit from the economy of scale and the branding effect, recruiting numerous artists and artisans. Depending on one's bargaining talent, several hundreds to thousands of *yuan* can be spent on a "masterpiece" from Da Vinci, van Gogh and Picasso or famous posters from the period of the Cultural Revolution. Apart from this unique trade, the village further distinguished itself by the following structures. First, it is one of the few urban villages whose main businesses have not been monopolised by the native villagers, as most of them had already transferred their assets in the villages to shares of private firms or commodities through various creative measures or illegal means. Second, the JC has continued to regulate the social order and public goods provision in the enclave but its main duties have been centred on property management and art deals.

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<sup>133</sup> See Shenzhen Municipal Chorography, 2013, vol.4; 32; Shenzhen Luhou District Chorography, 2013, 55-57; Shenzhen Futian District Chorography, 2010:37-41.

Occupying the fertile plain of River Shenzhen, *Shi* Village has an 800-year history that dates to the Sung Dynasty. The village bosses whom I interviewed unanimously insisted that their ancestors were the early and native settlers of the city, in contrast to the fisherman origins portrayed in the official discourse. They insisted that the official discourse, which suggests that Shenzhen has transformed from a tiny fishing village into a modern metropolis, is merely a reproduction of Hong Kong's success story. Of course, the fact that Deng Xiaoping happened to visit a fishing village during his famous Southern Tour in 1992, which restarted market reforms after the Tiananmen Incident, was another contingent factor. Today, the village is one of the few villages that remain untouched in Futian District in the Central Business District (CBD). Given its prime location and the demand for accessible housing, *Shi* Village has an extremely high density. However, in addition to the rental business, the village is also famous for its clothing stores, electronics markets and groceries; international and national brands such as Walmart, Nike, *Zheng Kungfu* and *Li-Ning* have also opened branches in the village. A variety of public and cultural facilities and a private security team have also been installed. Not only did these goods and services make the community a model that local authorities wished to claim credit for, but the village also attracted many white-collar workers to rent apartments, reside and make a living within it.

*Gong* Village lies adjacent to National Highway 107, which connects the cities of Shenzhen and Dongguan, and is home to more than 180 small and medium-sized manufacturing enterprises. Beginning in the late 1980s, investors from Hong Kong, Taiwan and overseas were invited to establish businesses. The native villagers, most of whom belong to the Teochew people enjoying privileged business networks in South China, had practised outward processing trades that initially included including textiles and garments but have recently diversified into electronics, plastics and leathers. To reduce transportation costs and maintain competitiveness, the JC and RC initiated a project to build a modern on-ramp to connect the village to the National Highway exit. Thus, despite being located in the outskirts of Bao'an District, as many as 50,000 migrants now work and reside in the village. The villages are further divided into production, residential and recreational zones, resembling the spatial settings of the *danwei* system or the Foxconn model, albeit with certain nuances.<sup>134</sup> Although *Gong* Village has been extremely open to

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<sup>134</sup> Lu and Perry, 1997; Chan and Pun, 2010.

foreign investments and has allowed varying degrees of privatisation, it is also probably one of the most centralised urban villages in terms of householders' share distribution and social order regulation. Not only is its density of surveillance cameras comparable to the wealthy *Shi* Village, but most decision-making authority has also been concentrated in the hands of a village boss who is the chairman of the JC, the director of the RC and the representative of the Guangdong People's Congress.

*Shang* Village, located adjacent to the border with Hong Kong, was notorious for its collective enterprise, its prostitution, its concubines (*er nai*) and, most recently, its modern high-rises. Because of its prime location and advantaged position in the flow of information, the village bosses and villagers have been rather adaptive to changing economic and political signals. The lineage, with nearly all native villagers belonging to the Huang family, has also preserved a source of communal authority. In 1986, this village was the one of first to start a JC and other joint-enterprises, selling garments and tyres to merchants in Hong Kong. When the collectives were no longer competitive in the early 1990s, the factories were rapidly demolished and redeveloped into residential apartments and retail shops. Since then, it has become a renowned entertainment zone with readily available prostitution, drugs and alcohol. Restaurants, karaoke, and clinics were also established to provide multiple services. In response to the government's strike-hard (*yan da*) operations against illegal activities in 1998 and 2006, these businesses and their workers moved to Dongguan or the outskirts districts. During the same period, *Shang* Village became the residence of concubines, some of whom were formerly sex workers. Their patrons were often Hong Kong merchants and workers who provided financial support in exchange for companionship. Once Hong Kong dwellers no longer had sufficient resources or the desire to support an extra family, the story of the concubine village also disappeared. At present, large-scale urban redevelopment has demolished nearly two-thirds of the urban village. Migrant workers were forced to evacuate, native villagers reduced their rates of return, and middle-class citizens with urban *hukou* have occupied the newly built modern high-rises. Such moves have led to an ample change in the demographics and socio-political landscapes of the village, and such change might well be the final stage of the village's transformative trajectory.

Table 2 contrasts the basic features of the four urban villages. First, the populations of the four urban villages range from 12,000 to 80,000 within a congested living space ranging

from 4.47 m<sup>2</sup> to 8.21 m<sup>2</sup> per person, which is much smaller than the averages of 8-15 m<sup>2</sup> in Shenzhen. High residential density is often the source of crime, vice and safety hazards. However, size is often a proxy for wealth, which can generate incentives to maintain internal order and the ability to bargain for external funding. Whereas the degree of pure public goods varies and some club goods are rather selective, basic infrastructures and public security are nonetheless available across the four urban villages; hence, socioeconomic factors might not be the most important variables in explaining the control or management of contestation.

**Table 2 Basic Features of the Four Urban Villages in Shenzhen**

<i>Villages/ Features</i>	<i>Population</i>	<i>Location</i>	<i>Major social groups</i>	<i>Living space</i>	<i>Size</i>	<i>Main business</i>
Shi	80,000	<i>Guannei</i>	White-collar migrants	6.75 m <sup>2</sup> /person	25.81 ha.	Electronics, clothing, grocery
Shang	65,000	<i>Guannei</i>	Entrepreneur migrants	4.47 m <sup>2</sup> /person	22.70 ha	Entertainment, drugs and prostitution
Gong	12,000	<i>Guanwai</i>	Peasant migrants	8.21 m <sup>2</sup> /person	11.70 ha.	Design, arts and art supplies
Nong	58,000	<i>Guanwai</i>	Blue-collar migrants	5.25 m <sup>2</sup> /person	46.09 ha.	Textile, electronics and clinics

Source: Annual Work Reports of Shenzhen Urban Renewal Bureau and the respective Joint-stock Companies.

In this regard, it is relevant to discuss the variation in the cultural lineages and communal power of the four urban villages, which are less formal but revived superstructures during the post-Mao era.<sup>135</sup> Certainly, the communal authority of the JC is a result of history and lineage; however, one should recall that belonging to the same clan or family provides cohesion and checks and balances on the governance of the JC. In fact, the abilities to deliver constant economic returns, provide a safe environment or liaison to obtain government support are also salient factors in earning and sustaining such communal power. Tracing the history of the changes in the JC's communal powers and the attitudes of various social actors is thus essential.

In this light, this study accounts for the differences in grassroots institutions or intermediaries across these four villages. The JC has functioned as either a communal authority or a collective enterprise, whereas the RC is a state-sponsored, self-ruling agency that is arguably an extension of the state. Whereas each urban village has only one JC, the maximum population overseen by an RC is 15,000 to 25,000. Despite the absence of

<sup>135</sup> Ma and Xiang, 1998; Zhang, 2001: 47-68.

formal hierarchy between RC and JC, the differences in the ratio between the two have produced different power dynamics in the villages. The single case study with four embedded studies enables us to conduct a controlled study. My first assumption is that the availability of public goods and the degree of social order vary slightly between the four urban villages under different administrative, economic and demographic contexts. Furthermore, I assume that these relationships are not nominal but ordinal, reflecting the degree and order of interactions between different segments of the local state. Such an investigation requires an assessment of the interplay among JCs, RCs and other social organisations.

In sum, the comparative analysis of migrant enclaves reveals how students of Chinese politics have failed to thoroughly explore local politics in urban areas compared with their Western, Latin American and Southeast Asian counterparts. This neglected area of study not only reflects how research agendas are embedded in political institutions or their rural extensions but also indicates that migrants should not be regarded as merely subjects in factory dormitories or a class detached from their living environment. Without thorough investigation of everyday life and power relations in urban villages, where the majority of China's 274 million rural migrants live, the struggle of migrants and the mechanisms of grassroots governance cannot be articulated. Treating migrants principally as exploited subjects in sweatshops also has the disadvantage of implicitly diverting the primary object of contention towards corporations while undermining the responsibilities of the local state. Before making these assessments, I will first examine the institutional foundations that gave rise to urban villages across South China.

### 3. Institutional Adaptation and Migrant Governance

#### INTRODUCTION

This chapter examines the institutional framework underlying China's rural-urban divide, which concurrently grant mobility, deny citizenship and reinforce the enclosed living space of rural migrants. Built upon the household registration (*hukou*) and work unit (*danwei*) systems, these institutions and their proxies and substitutes, are integral parts of a targeted surveillance system that aims to regulate rural-urban migration, determine welfare entitlement and enforce social control. To fulfil these functions under a declining state sector, certain authority and responsibilities – an exclusive domain for securing essential resources – have been delegated to city governments and grassroots agencies.<sup>136</sup>

I first explain how despite the overall policy commitments to equity and equality in the socialist era, peasants were concurrently regarded as the means of production and subjects of control. With the retreat of the state from various socialist commitments and yet with the preservation of the socialist institutions, the differentiated and targeted treatment of rural migrants was further institutionalised in the reform era.<sup>137</sup> However, I contest the argument that the *hukou* and *danwei* systems are merely instruments of the state used to control or infiltrate society; instead, these systems are also regarded as a source in the development of an intermediate and semi-autonomous realm between state and society.<sup>138</sup> I support this claim through a discussion of policy changes pertaining to *hukou* and *danwei* and the mechanisms and agencies of local governance in China's sunbelt cities.

Although relaxation of the *hukou* system has enabled an influx of cheap labour for the export-oriented economy, this has not resulted in either social instability or urban decay. Despite the new policy initiatives in Shenzhen, its *hukou* system has continued to differentiate welfare for rural migrants and nurture societal discrimination against them. Similarly, although the importance of *danwei* radically reduced in the mid-1990s, its functions of regulating labour within spatial units and coordinating subjects within

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<sup>136</sup> Tang, 2015.

<sup>137</sup> Socialist institutions refer to the traditional institutions inherited from the socialist era, which may or may not have elements of socialism.

<sup>138</sup> Cf. Lee and Zhang, 2013; Lu and Perry, 1997; Solinger, 1999; Teets, 2013.

exclusive realms have not been fully abandoned. The factory dormitories of joint ventures and private firms in the development zone of the SEZ have reproduced and intensified the practice of combining economic relations and spatial form, leading to the *contemporary manifestation* of the *danwei*. The need to ensure both a constant supply of labour and rigid surveillance of migrants has ironically aligned nominally socialist authorities and capitalist investors, yielding the sweatshop phenomenon. In contrast, the role of collective agencies, which combine economic resources and political authority, is clearly evident in the differences observed in the performances of four urban villages described in Chapters 5 and 6.

Until the proliferation of urban villages in mid-1990s, rural migrants typically underwent a period of residence in a highly controlled factory dormitory in the development zone, followed by assimilation into relatively autonomous urban village housing in the suburbs or city centre. A sense of improvement is thus widely experienced among rural migrants when they become tenants in an urban village, and this perception partly explains why they have accepted the status quo rather than contested the institutional form and communal order. Because private firms exclusively regulate factory dormitories, whereas a combination of political and socioeconomic units simultaneously govern urban villages, the contrasting outcomes of factory dormitories and urban villages reveal the relatively desirable form of migrant settlement and community governance.

Periodic adjustments of the *hukou* system have not eliminated discrimination against rural migrants but have instead continued to restrain migrants' demands on urban welfare. While the *danwei* system has been severely weakened, its logic of combining economic and social functions in governing an urban unit has found a contemporary manifestation. Above all, these changes have consolidated an intermediate space and empowered a grassroots agency that checks direct intervention by the state and provides essential public goods in the migrant enclaves. This trade-off between *eligibility to negotiation and entitlement of participation* is crucial to explaining how China can encourage economic growth while simultaneously establishing a threshold for social (in) stability.

## **INSTITUTIONAL FOUNDATIONS OF THE RURAL-URBAN DIVIDE**

### ***The Hukou System and Differentiated Entitlements***

To distinguish itself from its predecessors and restore the economy after years of war, the new socialist regime's priority was to increase productivity through industrialisation. This agenda established a set of new institutions to address the challenges of governing cities that were traditionally the bases of its enemies and to realise its promises of social reform for its supporters.<sup>139</sup> Using the pioneering Soviet Union's experience as a model was not only ideologically appropriate but also highly convenient; relying on the masses was another option, as they were among the few resources that were abundant in the underdeveloped country and were ready to be mobilised. Consequently, a command economy and a resident permit (*propiska*) system were implemented to regulate peasants' mobility and collectivise their productivity as prerequisites for growth.<sup>140</sup> Owing to the size of the migrant population and its internal dynamics, China's *hukou* system was ultimately more rigid and comprehensive than its Soviet counterpart.

Although the First Five-Year Plan (1953-1957) aimed to provide only 1 million city jobs per year, more than 20 million peasants had already entered towns or cities between 1949 and 1957.<sup>141</sup> The huge influx of rural migrants occurred primarily because urban factories were confronting unrealistic production quotas set by the central planning agency. The factory management thus heavily recruited peasants to reduce production costs and to fulfil quotas.<sup>142</sup> Although this practice actually served the state's development agenda, the State Council did not endorse this bottom-up initiative and regarded this group of migrants as a "blind flow" (*mangliu*) that was harmful to orderly industrialisation and structural security.<sup>143</sup> This intervention from the central authority clearly reveals the hidden tension between the goals of maintaining economic growth and enabling social control. In the socialist period, this tension was largely resolved by compromising the latter to achieve the former.

To this end, the *hukou* system was implemented in cities in 1951, extended to the countryside in 1955 and incorporated throughout the entire country in 1958.<sup>144</sup> The system

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<sup>139</sup> Meisner, 1999: 75-77.

<sup>140</sup> Solinger, 1996:33-34.

<sup>141</sup> Walder, 1986:36. Data from the National Bureau of Statistics suggest that the urban population increased from 71.6 million to 99.5 between 1953 and 1957.

<sup>142</sup> Potter, 1983: 468.

<sup>143</sup> Chan and Zhang, 1999:830.

<sup>144</sup> Chan and Zhang, 1999:819-820.

then linked every individual to his or her permanent residence and differentiated socioeconomic entitlements between peasants and urbanites, with the aim of ensuring structural stability in developed urban areas, and regulating labour to guarantee the means of production for the command economy. The system served three functions: controlling geographic mobility, differentiating welfare entitlements and enforcing social control.<sup>145</sup> By the mid-1980s, control over geographic mobility was abandoned to encourage surplus labour in the agricultural sector to seek employment in the manufacturing sector. However, the system's two remaining functions have remained intact. Compared with the peasants, who are tied to their rural land and have access to few public goods and services, urbanites enjoy relatively extensive public amenities and social security, including unemployment assistance, subsidised housing, pensions, health care, and public education.

To remain and work in cities, rural migrants are required to obtain three documents from the regulating authorities. Without a temporary resident permit (*zanzhu zheng*), a family planning certificate, (*shengyu zheng*), and an identity card (*shenfen zheng*), these migrants will be sent back to their rural residences. Although the *hukou* system requires these documents to enforce population control, the document requirements have resulted in miscellaneous charges and endemic corruption. In the countryside, public security bureaus and family planning commissions each charge tens to hundreds of *yuan* to issue outside work permits and family planning certificates. In some cases, when migrants return to the country and subsequently wish to return to work in the city, they must submit new applications and repay the fees. In the city, each of the two regulating authorities charges additional hundreds of *yuan* to issue and review temporary resident permits and family planning certificates, most of which expire each year and require renewal.<sup>146</sup> The process repeats along with the alternating migration pattern, contributing to the 'little treasury' (*xiao jinku*) in the localities.<sup>147</sup> The presence of vested interests that blend power and wealth explains why *hukou* reform has often encountered great resistance from regulating authorities.

To avoid these charges, it is not uncommon for some migrants to take risks and become what are known as 'three no individuals', who are then subjected to constant state

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<sup>145</sup> Cheng and Selden, 1994; State Council, 1955.

<sup>146</sup> Sun, 2004:fn4.

<sup>147</sup> Cao, 2010:302.

surveillance and violence. In 2003, Sun Zhigang, a rural migrant who failed to produce these documents, was sent to a detention centre, forced to wait to be deployed, and then beaten to death. Sun's status as a university student who had a temporary resident permit raised nationwide attention. Scholars, NPC delegates, and even the Premier intervened.<sup>148</sup> A total of 20 officers were held accountable for his death, and the custody and repatriation policy that had authorised his detainment was abolished; however, the *hukou* regulation that required all rural migrants to produce three documents has remained intact. Despite illustrating the party-state's adaptability in the face of a public outcry, the state has yet to address the discriminatory treatment of rural migrants. From this perspective, the *hukou* system has perpetually institutionalised the rural-urban divide, in which peasants and rural migrants not only are entitled to fewer goods and services and subjected to targeted surveillance and control but are also accorded inferior status as a result of such differential treatment.<sup>149</sup> This is widely viewed as the institutional cause of wealth and income inequality between peasants and urbanities, causing structural tensions as China's economy further liberalizes.<sup>150</sup>

### ***The Danwei System and an Enclosed Realm***

Compared with the *hukou* system, which was adopted for the entire country, the *danwei* system is an almost exclusively urban formulation. The origin of this system can be traced to the Yan'an period in the 1930s, during which the CCP aimed to create an intermediate realm between public and private realms. The interests of the minor public (*xiao gong*) or the *danwei* were preserved within or along with those of the greater public (*da gong*) or the state.<sup>151</sup> Exclusive property or specific functions were devolved to each *danwei* to promote self-sufficiency and self-reliance. Although the boundary between the minor public and the greater public had always been ambiguous, the creation of this intermediate realm reinforced the privileges of urbanites and different work units while regulating social relations through spatial forms. *Danwei* was thus both a conceptual realm and a physical realm. To cite Henri Lefebvre:

A revolution that does not produce a new space has not realised its full potential; indeed, it has failed in that it has not changed life itself but has merely changed

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<sup>148</sup> Niu, 2003.

<sup>149</sup> Cheng and Selden, 1994; Solinger, 1999.

<sup>150</sup> Sun, 2004; Li, 2005; Cao, 2010.

<sup>151</sup> Lu, 1997:29.

ideological superstructures, institutions or political apparatuses.<sup>152</sup>

Although Lefebvre is referring to the macrostructure of Chinese socialism, his observation concerning the interplay among spatial form, social life and ruling ideology is far from obsolete. Consistent with the theories of Lefebvre and the image of communism, the *danwei* system was regarded as an instrument of the state to regulate and infiltrate society and to practise everyday surveillance.<sup>153</sup> The extension of the system to all urban areas and its success in transforming people's identities to the extent that the answers to "Where are you from?" changed from one's native place to one's workplace affirmed the understanding that the *danwei* not only conquered the private sphere but also contributed to people's organised dependence on the party enterprise or the consolidation of corporatism.<sup>154</sup> On the other hand, *danwei* system also constituted similar working-class communities and workplaces that stimulated collective pride and mutual assistance, which were seen by E. P. Thompson as a hotbed for the formation of class consciousness.<sup>155</sup>

Certainly, the *danwei* system served to regulate the livelihoods, welfare, and social activities of urban workers to nurture the content of their daily lives and their loyalty to their official patrons. In this regard, a *danwei* was an administrative, economic and spatial unit.<sup>156</sup> First, each *danwei* was an administrative unit that controlled the dossier, personnel matters and cellular boundaries shaping one's social networks and defining one's social status. For each worker, issues such as promotions, penalties, work transfers and marriage were subject to the approval of his or her senior or supervisory unit. As an economic unit, each *danwei* was assigned specific production tasks and quotas, and its workers or members were accorded exclusive privileges, such as welfare housing, health clinics, child education and pensions. Although the quantities of these goods and services were similar, their quality differed between *danwei*. In this regard, the *danwei* system not only differentiated workers from peasants but also nurtured individual workers' loyalty to and identification with particular *danwei*. As a spatial unit, each *danwei* was designed to integrate residential areas and workplaces, which were separated into different compounds that were often adjacent to one another and linked by pathways and recreation facilities.

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<sup>152</sup> Lefebvre, 1991: 54.

<sup>153</sup> Bray, 2005: ch.5; Walder, 1986: ch.3.

<sup>154</sup> Perry, 1997:42; Walder, 1986: 11-13.

<sup>155</sup> Thompson, 1963: 129, 408-410.

<sup>156</sup> Lu and Perry, 1997:5.

The allocation of apartments had no relation with personal wealth. Instead, the quality and size of apartments were determined by the status and capacity of one's *danwei*, one's seniority within the system and the size of one's family. Not every city was organised in the ideal form; however, the *danwei* had performed the functions of standardising urban space, providing social security and centralising the means of production.<sup>157</sup>

However, the *danwei* system was not merely a state tool; it had also developed an internal logic and interests. As the sophisticated and comprehensive functions described above reveal, the *danwei* occupied a relatively autonomous sphere between the state and society. First, the system represented a realm of the "minor public" given the tasks of providing certain public goods and regulating social relations. Second, these tasks were based on the logic of self-reliance, which the *danwei*, as an organizational form, enjoyed the exclusive capacity and flexibility to adapt to standard policy guidelines and changing social conditions.<sup>158</sup> Andrew Walder, in the 1980s, discovered that an implicit agreement existed between managers and workers in the *danwei*, whereby managers promised to maximise bonuses and minimise tight quota, while workers agreed to produce effectively and not abuse machines or waste materials.<sup>159</sup> This is because the management team's performance was judged by its ability to enhance workers' income and benefits and other social indicators. As the opportunity to move between workplaces was low, once an exit strategy was not feasible, managers and workers preferred to negotiate rather than be content. Not only did the *danwei* enable the presence of an organised working class, it also promoted job-home balance, social equality and *generalised reciprocity*.<sup>160</sup> In this regard, except during the high tide of political campaigns or socialist experiments, the *danwei* performed the socio-political function of constraining the scale of collective action.<sup>161</sup> More precisely, protests during the Mao era were largely limited to the boundaries established by each *danwei* through which mobilisation was structured within different cellar units and was prevented from developing into mass incidents that could affect political stability.<sup>162</sup>

Economic relations were indeed much easier to regulate than spatial relations. One reason for this relative ease of regulation was the mismatch between the number of residential

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<sup>157</sup> Gaubatz, 1995: 35-42; Whyte, 1999:175-177.

<sup>158</sup> Li et al., 2009.

<sup>159</sup> Walder, 1989.

<sup>160</sup> Wang and Chai. 2009.

<sup>161</sup> Lu and Perry, 1997:9.

<sup>162</sup> Strand, 1990.

apartments and the size of a *danwei*. Because of this misalignment, welfare housing was widely regarded as the most important amenity and the symbol of *danwei*. In 1998, the State Council issued a circular to encourage urbanisation by legalising the sale of welfare and economic housing in the private market.<sup>163</sup> *Danwei* no longer allocated new flats to employees, and old flats were traded for currency. The circular effectively marked the end of a welfare housing policy that had lasted a half-century and the disintegration of the all-inclusive *danwei* system. Most notably, housing has since become a commodity rather than an entitlement, contributing to the booms of the property market and the banking sector. Although this policy gave the old-generation *danwei* workers a final opportunity to own property at a discounted rate, rural migrants and the youth were excluded by default. State or collective assets were hence redistributed to those enjoying institutional privileges, discriminating against those who did not.

The rural-urban divide is determined by place of residence and the availability of resources. Whereas the *hukou* system regulates the entitlement aspect of the social system, the *danwei* system addressed the provision aspect. Despite market reforms, the *hukou* system has continued to deny citizenship status of rural migrants and reinforce their discriminative entitlements and discretionary residence. Undoubtedly, the *danwei* system was more developed in the industrial North than in the coastal South in the socialist era. However, the idea of a SEZ and the administrative structure of its economic model largely constitute the contemporary manifestation of *danwei*, as will be discussed below. But this development should not be mistaken for a return to corporatism. On the contrary, it reveals the complexities and nuances of associational life and social welfare provisions in the midst of capitalist reforms that deviates from the state-centred corporatist framework.<sup>164</sup>

## PERIODIC ADAPTATIONS AND THE RATIONALITY OF *HUKOU* SYSTEM

### *Encircling the City from the Countryside*

The relaxation of the *hukou* system has closely reflected the reality of market reforms, despite being embedded in a certain socialist rationality and conditioned by organizational interests. The first wave of major reforms occurred in October 1984 when the State

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<sup>163</sup> State Council, 1998.

<sup>164</sup> Cf. Lin, 1995; Unger and Chan, 2008; Howell, 2012.

Council allowed rural migrants who had urban jobs and registered shelters to temporarily reside in townships.<sup>165</sup> As a follow-up measure, the Ministry of Public Security introduced temporary residence permits (*jizhu zheng*) in September 1985 to legalise the residence of rural migrants in urban areas. Any peasants who remained in cities for more than three months were allowed to apply for permits, thus invalidating the old regulation that required peasants to register with local police for more than three days of urban residence and accelerating the process of labour migration in the coastal provinces.<sup>166</sup>

In most Chinese cities, the residence permit is renewable but must be re-registered every year. As a hub of rural-urban migration and China's first SEZ, Shenzhen has extended the permit renewal period to two years,<sup>167</sup> an effort to ensure an abundant supply of labour for the export-oriented economy in the sunbelt while reflecting the sunbelt cities' ability to select productive and qualified migrants. Throughout the 1980s, only talented and educated individuals were permitted to stay and work in the SEZ. This selection mechanism guaranteed the means of production but also provided a stabilising force. One notable example was the Kaida Toy Factory, which was one of the earliest and largest joint ventures in the Shekou Industrial Zone, the first open industrial zone created as part of China's market reforms. In 1982, an ordinary worker at the factory could earn a monthly income of 400 *yuan*, which was four times the salary and allowance of workers in State-owned Enterprises (*guoying qiye* or SOEs).<sup>168</sup> For a time, working for Kaida was among the most glorious occupations in China, illustrating the chance of rural migrants' integration into cities in the early reform period.

Before 1984, grave uncertainty regarding the pace and scale of market reforms persisted and led to caution in the recruitment of labour. Joint ventures primarily recruited – or, more accurately, the local authority only allowed – the rusticated youth or *danwei* workers in nearby countries or cities to enter the SEZ's job market.<sup>169</sup> Strictly speaking, these workers were migrants but not rural migrants, as most of them had already possessed urban *hukou* in second- or third-tier cities. Workers in SEZ were divided into three types in descending order of benefits and prospects: regular labour (*zhengshi gong*), contract labour (*heyue*

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<sup>165</sup> State Council, 1984.

<sup>166</sup> Ministry of Public Security, 1985.

<sup>167</sup> Shenzhen Municipal Chorography, 2013, vol.4: 77.

<sup>168</sup> *Shenzhen Commercial Daily*, 22 February 2012.

<sup>169</sup> Southern Metropolitan Daily Special Research Team, 2012:17.

*gong*) and temporary labour (*linshi gong*). The educated youth and *danwei* workers who had an urban *hukou* were initially employed as contract workers; after three years of probation, they were upgraded to regular labourers entitled to obtain a Shenzhen *hukou*.<sup>170</sup> By contrast, the migrants, some of whom were recruited in violation of state regulations, were employed as temporary workers.

These practices not only survived but also intensified with further privatisation in the 1990s and 2000s. Despite enactment of the Labour Law and the Labour Contract Law in 2008, which respectively mandate equal pay for equal work and create litigation procedures to redress unfair treatment, the overall situation remains discriminatory against migrants. Young migrants, in particular, despite having better education and better skills, became dispatch workers, receiving lower pay and fewer fringe benefits. However, due to competition from outsourcing service providers, many private firms and SOEs regularly engaged in labour dispatching and outsourcing. A study conducted by the All-China Federation of Trade Unions in 2010 revealed that the total number of dispatch workers in China had reached 60 million, constituting as many as 30 to 60 per cent of workers in many SOEs and private corporations in Guangdong.<sup>171</sup> Due to the differentiated treatment endorsed by the *hukou* system and the fact that many of companies did not directly sign contracts with dispatch workers, the labour laws cannot regulate these practices.

Although workers in the SEZ's factories were widely considered the lucky few across China, their prospects were structurally differentiated. While they worked in the same factories, contract workers and regular workers, determined by their *hukou* origins, followed parallel paths, with differing prospects and little chance of converging. Workers' *hukou* status functioned not only as an entry ticket but also as a triumph card through which the cycle of discrimination continued to revolve.

### ***Granting Citizenship to the Talented and Obedient Few***

Another wave of reform concerns the relaxation of the policy to convert agricultural *hukou* into non-agricultural *hukou* (*nongzhuanfei*). Between 1992 and 1994, several large cities began to introduce the "blue-stamp" *hukou*.<sup>172</sup> Similarly to the American green card, this

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<sup>170</sup> Southern Metropolitan Daily Special Research Team, 2012:18.

<sup>171</sup> China Labour Support Networks, 2014.

<sup>172</sup> Chan and Zhang, 1999:836.

type of *hukou* contained a blue stamp issued by the public security bureau, enabling its holder to enjoy social security entitlements and civil rights comparable to those of the owners of urban *hukou*. The blue-stamp *hukou* was designed to attract talented migrants from Hong Kong, Macau, and Taiwan as well as wealthy migrants who could afford to buy private property in the cities. Because the transition period of conversion of blue-stamp *hukou* into formal urban *hukou* was as brief as two years, wealthy migrants were motivated to buy commercial property, contributing to the first wave of property fever in China. Although this transitional policy was abandoned in most cities by the early 2010s (and completely invalidated by a new reform in 2014), adjusting the *hukou* system to adapt to specific conditions and local needs represented a form of bottom-up initiative.<sup>173</sup>

Shenzhen has been the pioneer in inventing and testing these new policy initiatives. In 2005, the Shenzhen government issued a circular and five supplementary documents in an attempt to construct “a harmonious and efficient city” by strengthening and aligning the standard of population control with the level of urban development.<sup>174</sup> The primary aim of the initiative was to attract an essential and productive labour force to upgrade industries and hasten urbanisation. First, Shenzhen like many metropolises changed their migrants’ temporary resident permit (*zanzhuzheng*) to residence permit (*juzhuzheng*) in 2008, which allowed rural migrants to enjoy some benefits once exclusive to urbanities. Although the entitlements between urbanities and migrants have since then been minimized, the difference remains substantial. Table 3 summaries the differences in entitlements between urban citizens and rural migrants, as of 2014.

**Table 3 Entitlements between Holders of Urban *Hukou* and Residence Permit**

	<b>Urban <i>Hukou</i></b>	<b>Resident Permit</b>
<b>Residence</b>	Unconditional	Renew every two years Reapply at the end of the contract
<b>Health and Pension</b>	Exclusive rights Secure assess	Conditional rights of access to some urban welfare after three months of social security contributions Restricted transfer of benefits from one city to others or back to one’s native place Insecure and varied levels of benefits
<b>Child Education</b>	Nine years of free and compulsory education Higher probability of	Free education after meeting some economic and public security related criteria Lower probability of university admission but higher

<sup>173</sup> Cheng and Selden, 1994; Chan and Buckingham, 2008.

<sup>174</sup> Shenzhen Government, 2005.

	university admission	tuition or sponsorship fees
<b>Housing</b>	Low-cost or welfare housing for low income group	Ineligible for any low-cost or welfare housing, regardless of income Major difficulties in obtaining mortgages
<b>Employment</b>	Better pay, training and fringe benefits Rights to permits, licences, and benefits	Restricted to serve in some service sectors, including various civil service bureaus Ineligible to apply for certain business permits, government licences, and unemployment benefits
<b>Civil rights</b>	Serve as electorates Travel and study abroad	Cannot vote in elections for resident committees (until 2012) and people's congresses in the city Cannot apply for documents for overseas travel to Hong Kong or Macau

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Source: Compiled using data from Shenzhen's government websites and interviews with officials.

Second, the city authority also established a point scheme to standardise the criteria for *hukou* transfer.<sup>175</sup> Since 2010, the threshold to apply for *hukou* transfer has been set at 100 and involves six indexes: personal credentials, *de facto* residency, social security contributions, age, and official awards. For example:

A university degree receives 60 points, while a diploma receives zero points; private property without a mortgage receives 30 points but receives 20 points with a mortgage; paying an annual income tax between 35,000 and 46,000 *yuan* receives 30 points, whereas paying less than 35,000 *yuan* receives zero points; being between 18 and 35 years of age receives 5 points, whereas being over 45 receives minus 5 points per year; social service and official awards are rewarded but varied between 3 and 30 points depending on the nature of the awarding bodies.<sup>176</sup>

Table 4 compares the weighting of each criterion that enables migrants to pass the entry threshold and apply for a *hukou* transfer. It shows that after several years of operation, there are few differences between the point systems of China's wealthiest cities. First, the quality of individual migrants is an overriding criterion. Good education and essential job skills would each singlehandedly meet the entry threshold. Second, contributions to city finances and development are highly rated. Such contributions are measured by taxes payable, social security contributions, and official awards or scientific innovations. Third, applicants must prove that they are obedient subjects who have not violated the one-child policy, have not undergone re-education through labour (*laogai*), do not have criminal records, have not been affiliated with any illegal and unauthorised organisations, and have contributed to the local social welfare scheme for more than six months. While the re-

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<sup>175</sup> Shenzhen Government, 2011; See National Health and Family Commission, 2012: 92-96 for a review of the implementation of Point System in Guangdong.

<sup>176</sup> Shenzhen Civil Affairs Bureau, 2014.

education system was abandoned in 2013, for more than half a century, this system enabled the police to send people to labour camps and restrict people's freedom without trial. As targets of social control, rural migrants were long victims of this policy.

**Table 4 Weighted Index of *Hukou* Point Scheme in Three Guangdong Cities, 2014**

Index/City	Shenzhen	Guangzhou <i>Pass Mark Ratio</i>	Dongguan
Education	100	117.6	100
Job Skill	100	117.6	100
Tax payable	100	23.5	100
Social security contribution	60	58.8	60
House ownership	30	23.5	30
Official awards	60	141.2	100
Social service	10	11.7	10
Industry in demand	n.a	35.3	30
Scientific invention	50	58.8	60
Years of residence	n.a.	n.a.	20

Source: Compiled from the Guidebooks for *Hukou* Transfer through Point Scheme in Shenzhen, Guangzhou and Dongguan.

Analysis of the application criteria suggests that the new initiative has not provided a path for the majority of rural migrants to secure citizenship. Essentially, educated, wealthy, and youthful migrants are eligible to transfer their *hukou*. Talent and capital become the overriding criteria for successful *hukou* transfer, a process whereby the granting of citizenship is justified as growth promoting, albeit at the cost of equity. In contrast to Guangzhou, where the *hukou* spaces for qualified applicants were capped at 3,000 as of 2014, Shenzhen abolished its annual quota of 6,000 in 2013. However, survey data indicate that only 18 per cent of rural migrants in Shenzhen met the above threshold in 2013.<sup>177</sup> Indeed, our migrant interviewees, most of whom are tenants of the village of *Gong*, are indifferent to and dissatisfied with what the government refers to as “the *hukou* policy for the new era”.<sup>178</sup>

Wang, a 28-year-old migrant from Jiangxi, regarded the policy as a kind of privilege (*tequan*) that was not meant for average (*putong*) rural migrants. He loved and was absorbed into city life but could not imagine the possibility of transferring his *hukou*, as was also true of his friends in a medium-sized electronics factory.<sup>179</sup>

Tian, who had worked in Shenzhen since 1999, revealed the irony that the longer she worked and stayed in the city, the further she was from meeting the threshold, as age and educational attainment had gradually worked against her. The awards of service (*xianjin*) she had received over the years in the *danwei* or street offices had offered

<sup>177</sup> Shenzhen Civil Affairs Bureau, 2014.

<sup>178</sup> Interview, municipal government official, 27 September 2013.

<sup>179</sup> Interview, migrant worker, Shenzhen, 28 August 2013.

little help.<sup>180</sup>

These testimonies reveal that the *hukou* system has not only differentiated the entitlements of migrants but also nurtured their belief that they are not an integrated part of the city, regardless of their contributions to and lengths of stay within it. Moreover, the threshold limit is highly discriminatory in that it tends to reward the privileged few while excluding the disadvantaged majority.

However, the fortunate few who are eligible to apply for a transfer do not unanimously welcome the policy either. Basically, class and income sources divide them. On the one hand, the native villagers of all four urban villages, most of whom are landlords, acknowledged the policy but felt lukewarm towards it. A frequently raised concern was that the transfer would effectively deprive them of rural land dividends that are worth more than urban social security protection. As such, rather than targeting Shenzhen's *hukou*, these villagers have done whatever is necessary to retain their collective land ownership and be exempted from urban governance. Second, migrant entrepreneurs of small and medium-sized businesses as well as educated and professional rural migrants, most of whom are tenants of the *Shi* and *Shang* Villages, are more interested in applying for Shenzhen's *hukou*. For these cohorts, who represent the income-earning classes, the possibility of permanent residence in a familiar place, receiving social security protection for them and their children, is highly attractive. Moreover, returning to their native lands is no longer viable for them because many have lost their land rights in their native place due to land requisition or possession by other family members.<sup>181</sup> These contrasting responses reveal that the city-based *hukou* system has not addressed structural inequality associated with the *hukou* system and may have even aggravated it.

Third, under the present system, the typical poor migrant, who is truly in need of welfare to build his or her social capacity, cannot meet the threshold. The requirement that migrants must have contributed to social security for more than six months is unrealistic for many. First, the disposable incomes of rural migrants are limited after payment of rent and daily expenses and purchases of household necessities. Most elder migrants prioritise either remittances for their families or personal savings and investments. Migrant youths, who

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<sup>180</sup> Interview, migrant worker, Shenzhen, 30 August 2013.

<sup>181</sup> Although the land system entitles every household or individual an alienable parcel of land, it has not addressed demographic changes, which effectively deprives the land right of the youth generation.

have an extremely low marginal return on their contributions to the local social welfare scheme, have opted for either consumption or education. Second, frequent frustrations in China's labour market have forced rural migrants to frequently seek new jobs, typically compelling them to remain in a city for two to three years. With this common uncertainty, rural migrants have little incentive to contribute to a social security system linked to a particular city. This rigid requirement clearly derives from the *hukou* system and the fiscal reform of 1994, after which city finances became self-help.<sup>182</sup>

The mismatches outlined above largely explain why the number of successful urban *hukou* applications averaged only 40,000 per year between 2010 and 2013 in Shenzhen. The figures were much lower than the targets set by the city government in its 12<sup>th</sup> Five-Year Plan (2010-2015), in which it pledged to increase its *hukou* population from 250 million to 400 million.<sup>183</sup> In view of this policy dilemma, the city authority has provided basic welfare coverage to rural migrants. Although more substantial medical care remains tied to migrants' original residences, the children of migrants who have lived in Shenzhen for more than one year have been granted public education since 2005.

The city's Population Management Office claims that more than 98 per cent of its permanent residents are covered by social welfare.<sup>184</sup> But this figure must be interpreted with caution. First, the figure includes only permanent residents and omits many temporary migrants who have resided in the city for less than six months. Although the year-end population of Shenzhen in 2013 was 14.2 million, the sum of the *hukou* and floating populations was 10.4 million. Although temporary residents are often not entitled to local welfare by international standards, one must recall that the majority of these nearly four million migrants are fellow countrymen, not foreign nationals, yet are excluded from the *hukou* reforms. According to an official and nationwide survey in 2012, less than one-fourth of migrant workers were covered by endowment and medical insurances at the host cities and their enrolment in unemployment and maternity insurances were as low as 9.9 and 5.8 per cent respectively.<sup>185</sup>

More importantly, the "eligibility without entitlement" argument has profound political

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<sup>182</sup> See Pai, 2013:15-40, for how rural migrants float among cities seeking employment.

<sup>183</sup> *People's Daily*, 17 October 2012.

<sup>184</sup> Interview, government official, Shenzhen, 12 April 2013.

<sup>185</sup> National Health and Family Planning Commission, 2012:43.

consequences.<sup>186</sup> By eligibility, I mean that the city government has extended the coverage of social security to cater to the needs of wealthy and highly mobile migrants to absorb their capital and human resources. By entitlements, I mean that the *hukou* system has continued to discriminate against migrants with respect to access to some public housing, sectors of employment, financial tools, and civil rights. Without legal recognition of migrants' rights or a public process for earning them, it is difficult for rural migrants to transcend their second-class identities and inferior status. Many rural migrants simply cannot follow and thereby understand the periodic policy changes; they also lack the knowledge and ability needed to negotiate over what has been promised them by their employers and grassroots officials. In view of these difficulties, a growing number of grassroots NGOs in Shenzhen, such as the Little Bird Hotline and the Workers' Centre, have altered the focus of their advocacy. Rather than simply providing legal advice to migrant workers or negotiating with migrants' employers, these NGOs have devoted the majority of their time and efforts to organising seminars and workshops to educate workers about the goods and services available in the city and how to obtain them.<sup>187</sup>

### ***Re-institutionalising the Hukou System***

The third wave of reform began after China's fourth-generation of leaders repeatedly called for structural reform of the *hukou* system in the late 2000s. This call has generated widespread expectations, prompting constant press reports and academic papers on the question of whether China has abolished the *hukou* system. With the change in CCP leadership confirmed at the Third Plenary of the Communist Party's 18th Party Congress in 2013, the *hukou* reform was formally incorporated into the key document of the party congress. In July 2014, the State Council issued an opinion outlining the scope of the reform, and three months later, its Legal Affairs Office drafted a consultation paper to establish the pace and objectives of the reform. The consultation paper includes three key components: 1) to allow all nationals to obtain a permit to access basic social welfare services in their places of residence, 2) to immediately abolish the *hukou* system in small towns and abandon it in medium-sized cities by 2020, and 3) to retain the *hukou* system in large and mega-cities with populations greater than 5 million.<sup>188</sup>

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<sup>186</sup> Zhang, 2010.

<sup>187</sup> Interview, NGOs staff, Shenzhen, 25 and 26 September 2013.

<sup>188</sup> State Council, 2014.

The changes associated with this reform should not be overstated. Despite the vast scale of this reform, its pace and aims have not significantly deviated from those of previous reforms. The State Council's opinion and consultation paper agree that 'citizenship should be enabled incrementally' and 'would be granted to capable individuals'. As noted by many observers, the reform primarily aims to divert urbanisation to small and medium-sized cities and alleviate the financial burden on social security and mitigate complex governance issues in large and mega-cities. However, one must recall the size and degree of urbanisation in China, which substantially limits the extent of reform. As of 2014, Mainland China had a total of 103 cities with populations above 5 million.<sup>189</sup> To place this figure in context, the United States has 8 cities of that size, India has 7, Japan has 3, Brazil has 3, and 31 other countries have only 1. This group of 103 cities, referred to in the consultation paper as large and mega-cities, will continue to be regulated by the *hukou* system. Because the reform excludes the most common host cities where the majority of rural migrants reside, the long due reform has neither eliminated the rural-urban divide nor redressed structural inequality.

Two mid-ranking officials at Shenzhen's Development and Reform Office recognise this drawback but implicitly affirm that granting equal citizenship to rural migrants was never the policy intent:

Shenzhen's *hukou* reform mainly aims to absorb talented migrants to ensure the SEZ's suitable development. Our city finances simply could not afford the running expense if urban *hukou* are allocated to everyone. Stability is another concern. One must be a pioneer, but at the same time, one must be realistic. Establishing a model experience (*dianxing jingyan*) for the city is going to benefit many.

True, we target an endorsement of the central government, not only because this helps to coordinate actions between branch and lump (*tiao-kuai*) and drives favourable policies but also because an endorsed model can easily travel to other cities.<sup>190</sup>

The rationale of policy makers in one of most progressive and wealthy cities reveals the extent of adaptive governance.<sup>191</sup> The key criterion of a good policy proposal is not whether it addresses the structural problems of the existing framework but whether it would be welcomed by the centre and applied to other areas. Central recognition is linked to promotion and is clearly the cadres' primary concern. By the same token, concern about widespread applicability indicates why the bottom-up political initiative has become

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<sup>189</sup> Calculated from NBS, 2014b: 13-19.

<sup>190</sup> Interviews, government officials, Shenzhen, 31 August 2013 and 14 August 2014.

<sup>191</sup> Until 2011, Shenzhen was the only megacity in China that had never experienced a financial deficit.

increasingly moderate after decades of reform, as radical reform would create problems for other policy makers confronting similar issues. From this perspective, the financial burden is only one of the many obstacles to reforming the *hukou* system. Concerns about impeding the vested interests of government *xitong* and imperilling the essential tools of social control are at least equally important.

## URBAN CONTESTATION, DORMITORY AND ENCLAVES

From the perspective of local governments, the rural migrant is a means of production and a source of contestation. Shenzhen has experienced two phases of rural-urban migration, corresponding to different contestation dynamics. The municipality maintained an average urban population growth rate of 15.8 per cent in the 1980s, and this rose to 24 per cent in the first half of the 1990s. In the first period, the city primarily absorbed intra-provincial migrants, including some rusticated youth holding urban *hukous*. In the second period, it led other cities with respect to massive inter-provincial migration. Intra-provincial migrants find it easier to reside with friends or relatives and less costly to return to the countryside when the urban job market becomes saturated or unstable. In contrast, inter-provincial migrants have had a genuine need to find self-help accommodations in host cities.

Many first-generation migrants did not build homes in the cities, due to their communal ties and ultimate goals: working away was for them primarily a means of improving their families' living standards and status in their native villages. Cheap and substandard housing thus allowed these rural migrants to minimise their living expenses in cities and maximise their remittances to their rural families and permanent residences. However, second-generation migrants, most of whom have lost or were never granted land rights, have more individualistic expectations and have adopted modern lifestyles, which can only be pursued in cities. A survey conducted in Shanghai in 2012 (n=2000) showed that 39.79 per cent of young migrants intend to reside in big cities permanently, developing their careers and raising their families.<sup>192</sup> This behavioural change has put enormous pressure on housing, medical care, child education, and communal services in cities.

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<sup>192</sup> National Health and Family Planning Commission, 2012:129.

The fiscal reform of 1994 further intensified spatial contestation in China's sunbelt. The reform replaced the revenue-sharing system with a tax-sharing system in which customs, sales, and the majority of value-added taxes were exclusively central, and taxes on business, stamps, property, and land use were exclusively local. This reform has improved the central government's extractive capacity in relation to local governments. Booming cities such as Shenzhen were motivated to explore locally generated revenue to maintain public investments and cover social security expenses.<sup>193</sup> It is estimated that land-related revenue accounted for 72 per cent of the total revenue of Guangdong Province after 1995.<sup>194</sup> This backdrop implies that Shenzhen's urban contestation is probably among the most severe in the country. When rapid urbanisation and rural-urban migration encounter a fiscally weak and administratively shrunken state, social decay and ungoverned enclaves tend to result. Nevertheless, the pattern and nature of Shenzhen's migrant accommodations illustrate certain deviations.

**Table 5: Types of Migrant Accommodation in Guangdong, 2001-2012 (%)**

Accommodation/Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Dormitory	44.8	47.8	43.8	39.1	37.7	34.0	32.9	33.6	27.8	29.8	27.2	24.4
Construction site	10.8	8.8	6.7	6.1	5.7	4.9	4.8	4.6	3.5	3.5	3.3	2.6
Rental house	30.9	34.8	42.1	45.3	47.3	52.0	52.8	52.2	58.4	57.1	59.5	63.2
Hotel or hostel	5.9	2.6	1.7	1.5	1.8	1.9	1.7	1.7	1.5	1.3	1.4	0.9
Local resident's house	3.5	3.3	3.3	3.9	4.0	3.3	3.4	3.6	4.1	3.8	4.0	4.0
Others incl. own apartment	4.2	2.7	3.2	3.9	3.4	4.0	4.4	4.3	4.7	4.5	4.6	4.9

Source: Compiled using data from Ministry of Public Security, 2001-2012.

Table 5 shows the types and features of migrant accommodations in Guangdong Province over the last decade.<sup>195</sup> The overall pattern of migrants' choices of accommodation clustered consistently around affordable and temporary housing. The major types of migrant accommodation were dormitory and rental housing, which on average accounted for 84 per cent of accommodations. Since 2004, rental housing has gradually replaced dormitories as the most favoured migrant accommodation. In Shenzhen, manufacturing workers employed by large enterprises often lived in dormitories provided by their

<sup>193</sup> Wang, 1997; Zhang, 1999.

<sup>194</sup> Ho and Lin, 2005: 700.

<sup>195</sup> Shenzhen does not have such consecutive data, but its selective records concur with Guangdong's.

employers, all of which were adjacent to the factories. Construction workers and domestic workers were accommodated, respectively, in temporary compounds built onsite and in employers' private households, both of which were functionally another form of dormitory. Other rural migrants who owned or worked in small and medium enterprises or service industries tended to seek private accommodations on their own. According to an annual report by Shenzhen's Urban Villages Redevelopment Office, urban village housing accounted for approximately 92 per cent of the rental housing of rural migrants.<sup>196</sup>

In addition, the majority of migrant accommodations are temporary housing. Between 2001 and 2012, less than 5 per cent of rural migrants purchased houses in cities. Renting urban village apartments or residing in factory dormitories requires less capital and provides greater flexibility, a rational choice given the migrants' low income earning capabilities in the cities and back-and-forth migration patterns. The fact that the *hukou* system denies rural migrants socioeconomic entitlements, such as subsidised public housing and the ability to obtain a mortgage within their host cities, was the institutional factor that forced migrants to remain perpetually floating. However, even if rural migrants—as second-class citizens and transients—had a genuine interest in looking for affordable housing or were trapped in temporary housing, these two factors do not explain how and why valuable lands, subjected to urban sprawl, were used to construct factory dormitories and apartments for the most disadvantaged.<sup>197</sup>

### ***Privatised Factory Dormitories and Controlled Space***

Despite the disintegration of the *danwei* system, the idea of an organised work unit has not appeared in China. One of its proxies is the broad functional system (*xitong*) within the party-state, which remains influential in shaping China's economic development. Each of the ministries or commissions in the State Council and the bureaus of the Communist Party has hierarchical units at each territorial level of government. These units include government agencies and state-owned enterprises, which are assigned specific ranks and jurisdictions. Power is therefore fragmented among different *xitong* and municipal governments, generating both tension and collaboration regarding issues of vital interest, such as competition for urban land. Hundreds of *xitong* are found in Shenzhen, and a group of important ones is referred to as the 'eight great lords' (*bada zhuhou*), indicating their

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<sup>196</sup> Shenzhen Urban Planning, Land and Resources Commission, 2005:12.

<sup>197</sup> Chapter 5 will discuss the relationship between the land system and urban village housing in detail.

autonomy within the municipality.<sup>198</sup> These *xitong* are formally subsidiaries of SOEs or extensions of local governments, but in practice, they are often mixed with private capital of officials. Their lands were of high quality and quantity because they continuously offered loans, leverage, and political support to the municipal government. One retired official commented that collaborations between different segments of the state promoted growth when Shenzhen was weak and poor and minimised risk when the municipality became prosperous and autonomous.<sup>199</sup> In other words, political linkage is a source of both funding and political support.

The primacy of *xitong* can be traced to the administrative and spatial arrangements of Shekou. China Merchant Group, a subsidiary of the Ministry of Communications, was assigned the responsibility of operating China's first industrial zone open to foreign capital. The transportation *xitong* has since controlled all land appropriation in Shekou, which was approximately one-thirtieth of the initial SEZ area. The group formed a management committee in the industrial zone and concurrently expanded its business there. This experiment not only blurred the distinction between the state and the market but also reproduced certain socialist *danwei* practices during the course of market reforms. Shekou's founding head and Shenzhen's longest-serving mayor concurred that this arrangement aimed to limit the mobility of workers, contain the effects of the development zone, and safeguard the livelihoods of *danwei* workers during the early reform stages.<sup>200</sup>

Capitalists who were concerned about the uncertainty of investing in a socialist regime highly approved these institutions. Two senior executives of manufacturing companies recalled that, in addition to the land required to build factories, their joint enterprises in Shekou were allocated an additional portion of land to build factory dormitories.<sup>201</sup> Apart from the advantage of controlling the means of production, these manufacturing companies were also attracted by dividends from land assets because, although factory dormitories are prohibited by law from being mortgaged, in practice, these building structures have always increased the total estimated value of factory complexes. This practice, which is still in force today, has provided a strong economic incentive for private investors to support, or abuse, the state land ownership inherited from the socialist era.

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<sup>198</sup> Chen, 2010: 110.

<sup>199</sup> Interview, Shenzhen, 13 March 2012.

<sup>200</sup> Xu, 2008: 50-53; Shenzhen Municipal Chorography, 2011, vol.4: 99.

<sup>201</sup> Interview, Hong Kong, 1 December 2013.

As a result of collaboration between the *xitong* and firms, many first-generation migrants in Shenzhen's export-oriented industry were not required to find their own urban shelters because suitable shelters had already been designated. Manufacturing companies have produced many multi-storey factories and high-rise dormitories in industrial zones or secondary barriers. For large enterprises, these dormitories were built adjacent to factories; for medium-sized enterprises, the factories and dormitories were densely located on different floors in the same compounds. The most extreme example was Foxconn, a mega-world plant that accommodated all of its 550,000 workers in dormitories on two campuses in the Bao'an district.<sup>202</sup>

Although the appearance of a factory dormitory was similar to that of standard residential apartments, the facilities inside were primitive, with restricted living spaces. Migrants were typically provided bunk beds on which they hung their clothes and belongings. Each room accommodated 8 to 24 people, and individual living spaces were as small as 20 square feet each. The number of inhabitants on each floor ranged from 50 to 120, and everyone shared a public bathroom. Regardless of marital status, workers were treated as single and assigned to single-sex dormitories.<sup>203</sup> One exception was found on Foxconn's Longhua campus, which had installed a wide variety of communal, recreational, and catering facilities. That particular campus was propagated as a model factory for customers, governments, and the media. Similar facilities were absent from other Foxconn campuses and from those of other companies.<sup>204</sup> These facilities were installed before the strikes but fully renovated after the suicide cases. However, because of long working hours and tight surveillance, migrant workers rarely have time to use these facilities.

Several factors were required to reproduce a spatially regulated workplace in the reform era. First, complimentary dormitories were allocated and served as housing stipends to extract marginal labour productivity and to control the means of production, particularly in response to fluctuations between peak and low seasons.<sup>205</sup> Training, surveillance and overtime work were more manageable when migrant workers resided next to the factory. Second, once migrant workers resided within a factory complex in an industrial zone, their

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<sup>202</sup> Pun and Chan, 2012: 386, 394-395.

<sup>203</sup> Fieldwork, Shenzhen, 12-18 March 2012.

<sup>204</sup> Pun and Chan, 2012: 394; Zhou and Cai, 2008: 230-233.

<sup>205</sup> Perlin, 2013: 46-52.

mobility and interaction with other social actors were effectively restricted. Migrants' service to industrial development was consumed, and their potential threats to city order were thus minimised.

These practices suggest that the Chinese state may have selectively retreated from its stated functions during the market reforms. Such practices also inevitably prompted concern that the spatial configurations in China's sunbelt were marginalising migrants, who were provided with a place to stay and work in the city despite having their "rights to the city" denied. This thesis proposes that ordinary citizens should have been entitled to participate in important decisions that shaped their city and affected their livelihoods.<sup>206</sup> From this perspective, the factory dormitories functioned almost like cages containing rural migrants who served as tenants and human resources but not as citizens. Although these migrants' contestations were contained, they were not resolved. Over time, migrants resorted to various "weapons of the weak" to sustain their contestations and call attention to their existence. Some migrants chose suicide to voice their grievances, as on the Foxconn campuses, whereas others adopted exit strategies to move from factory dormitories to urban villages. Some migrants practised everyday resistance tactics, such as disconformity, foot-dragging, and pilferage, as reported by migrant workers and labour NGOs.<sup>207</sup>

In short, the spatial contestation in China's sunbelt cities has largely been managed and absorbed by the interplay between surviving socialist institutions (or traditional practices without elements of socialism) and new market forces in the context of the rural-urban divide. Factory dormitories, which constituted one of the two dominant forms of migrant accommodations in Shenzhen and across South China, are the physical evidence of that collaboration. Certainly, the absence of overt resistance should not be mistaken for a lack of contestation. The continuous presence of rural migrants, including their residence, work and exchange, has transformed the urban fabric of Shenzhen.

Having said that, the spatial and political order in China's sunbelt has largely been preserved by the interplay between adaptive *hukou* system and revitalised *danwei* system and the resulting patterns of migration and settlements. These systems provided affordable dwellings, delivered basic public goods, and reinforced social control and class domination,

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<sup>206</sup> Harvey, 2012.

<sup>207</sup> Scott, 1987; Guang, 2005: 481-506; Pun and Chan, 2012:385; Fieldwork, Shenzhen, 12-18 March 2012.

thereby regulating migrant contestations and preventing their integration into formal cities. The larger question here concerns the process and consequences of urbanization. While urban expansion can be all-round costly for policy makers, they tend to view urbanization as strategically necessary but migrant assimilation as secondary, thereby ignoring some of the difficulties and contradictions mentioned. The dynamics and impacts of this orientation will be further addressed in chapter 6.

## 4. The Land System, Exit Points and Privatised Collectives

### INTRODUCTION

Land disputes have spread in China as high-speed industrialisation and urbanisation intensify the demand for farmland and urban space. According to the Ministry of Land and Resources, the area of arable land decreased from 129.8 million hectares in 1997 to 121.7 million hectares in 2008, amounting to a 6 per cent decrease in roughly one decade.<sup>208</sup> Land conversion and land use rights transactions are concentrated in the suburbs and urban areas in light of China's market reforms and further integration into the global economy. Foreign investors, private developers, rural collectives, city governments, villagers and urbanites have become the key actors in this process. Although it is not uncommon for land expropriation (*zhengdi*) and housing demolition and relocation (*chaiqian*) to become "mass incidents", the scale and effects of these contestations have largely been contained and regulated in the sunbelt cities and their migrant enclaves.<sup>209</sup>

This chapter thus seeks to explain the relationship between China's dual land system and its pattern of urban contestation and migrant enclaves. Land, which is both a form of property and a means of production, is central to the socialist regime's economic and political agenda. Although land in China has not officially become a commodity, it has more or less functioned as one because of the on-going marketisation and globalisation in the reform era. But the persistent pressure regarding development and privatisation has produced substantial ambiguity in the use and transfer of land, creating an informal land market and blurring the boundary between regulator and practitioner.<sup>210</sup> In this regard, the thesis of local state corporatism can be expanded from viewing the state as an economic agent to analysing the spatial and political implications of the restructuring of state power.<sup>211</sup>

On the one hand, the dual land system accounts for China's back-and-forth migration pattern and the provision of shelter for rural migrants in the sunbelt. Migrants are provided

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<sup>208</sup> Food and Agriculture Organization of the United Nations, 2013: 77.

<sup>209</sup> Fu and Gillespie, 2014:3; Tian, 2008.

<sup>210</sup> Lin, 2009: 39, 46.

<sup>211</sup> Oi, 1999; Hsing, 2010:8.

with incentives and opportunities to work in the countryside if the urban job market shrinks. Moreover, land appropriation mechanisms are essential for turning urban villages into the dominant form of affordable settlements for the most disadvantaged. Although urban villages are not designed to provide affordable housing for migrant workers, they have, in practice, evaded government responsibilities and legitimated class differentiation and polarisation, including the production of a rentier class – the native villagers. Although the land system does not reform – some might even argue that it reinforces – the unequal status of rural migrants, it offers them temporary residence in the city and a permanent home in the countryside. The resulting trade-off – between collective land and citizenship or between eligibility and entitlement – reveals the influences of socialist institutions within the market economy. These influences underpin the argument that China's development trajectory and urban transition are best explained by path dependence.<sup>212</sup>

On the other hand, the ambiguity regarding the use and transfer of land has ensured that the local state or, more precisely, the rural collectives and municipal governments play a prominent role in the process of land expropriation and urban development. Since the first mega-development projects began in 2005, the interests of the municipal government, rural collectives, native villagers and rural migrants have largely been aligned, enabling a satisfactory outcome for many participants. This outcome has consolidated a patronage throughout the urban villages in which the gaps between the income-earning majority and the dividend-earning minority and between preserving urban villages and building high-rises are bargained over and articulated. In this regard, the collective agencies collaborate under entrenched inequality while preventing open conflict.

This chapter draws implications beyond the dynamics of land development to address the types of institutional arrangements that protect and regulate the interests of rural migrants. First, this chapter reveals the effects of institutional constraints and explains the conditions under which affordable migrant enclaves along with exit points for rural migrants have been preserved in China's unprecedented migration and urbanisation. Second, it examines the formation of patronage between different stakeholders to illustrate the dynamics of land appropriation and the robustness of grassroots negotiation after the shareholding reform. The chapter challenges the neoliberal prescription that the privatisation of land and full-

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<sup>212</sup> See Nee and Cao, 1999: 810-815; Walker and Buck, 2007: 39-40.

speed urbanisation would respectively protect the interests of the peasantry and minimise contestation over land.

## THE STATE AND DUAL LAND TENURE SYSTEM

### *Land and the Socialist Political Economy*

As a property asset and a means of production, land has been central to the socialist regime's ideological commitment and political economy. The 1954 Constitution stated that the new regime was committed to gradually eliminating private ownership of property and means of production.<sup>213</sup> Between 1950 and 1956, a series of land reforms confiscated or expropriated all rural and urban lands owned by landlords and private enterprises and redistributed them to state or collective agencies. This nationalisation process established a unique socialist land ownership system that destroyed the exploitative landlord-tenant structure along with its patron-client relations in the countryside.<sup>214</sup> While the process fulfilled the regime's promise of social transformation for the peasantry, it also collected and aggregated resources for the planned economy in cities.<sup>215</sup>

This diverse state agenda required a dual land tenure system. In rural areas, the ownership of land and land use rights was designated to rural collectives. While the communes remained in place, daily operation was devolved to the production team (*shengchan dui*) from 1961 to the mid-1980s in most villages. During that period, the production team reserved land for the provision of public goods and the construction of village enterprises. Each peasant household was then given an inalienable parcel of land for a housing site and for farming, and they shared collective benefits from its agricultural output. This arrangement indicated that social stability and food security were the state's primary agenda items in the countryside.<sup>216</sup> In urban areas, the state agenda shifted to promoting industrialisation and advancing the *danwei* system. As a means of production, urban land was owned and managed by municipal authorities. To meet the changes in production quotas, the means of production were allocated to and circulated between urban collectives and SOEs. The conversion or transfer of land was always free of charge, as these units

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<sup>213</sup> China Constitution (1954), art. 4 and 10.

<sup>214</sup> Meisner, 1999: 90-102.

<sup>215</sup> Lin and Ho, 2005: 417-420.

<sup>216</sup> Wang, 2011: 135-136.

were integral parts of the command economy.<sup>217</sup>

In Mao's China, land was respectively owned by the state and the collectives and simultaneously allocated and redistributed by municipal authorities and rural collectives. This dual land tenure system combined land ownership with land use rights in both rural and urban areas while also differentiating among regulating authorities to address the diverse agenda of food self-sufficiency and a resourceful urban economy. Under a rigid land system and a command economy, the tension between public ownership and public interest was resolved or at least remained latent.

### ***Differentiating Land Ownership and Land Use Rights***

In the wake of the dramatic socioeconomic changes after the market reforms, the dual land system has changed. In rural areas, the Household Responsibility System (HRS) was initiated around 1980 to allow farmers to contract land, machinery and other facilities from rural collectives and to freely dispose of the surplus after state taxes and collective retention. Because the HRS was initially able to increase work incentives and agricultural productivity, this bottom-up initiative was adopted as a national policy. Although land use rights were contracted to individual households for 15 to 30 years, households did not possess the rights to transfer collective land or to mortgage the real property built on collective land.

Subsequent law reforms have been devoted to defining and regulating the procedure for land conversion. The Land Administration Law (1993, 2004) classifies collective land into three types: "land for farming", "land for construction", and "land for dwelling" (*zhaijidi*). The law specifies that priority should be given to using collective land for 1) agricultural output 2) building TVEs and providing public welfare and 3) constructing houses for native villagers. However, the law also specifies that 4) collective land can be expropriated by the state for public interest and converted into other uses if compensation is offered. Because of the ambiguities concerning the definition of public interest and the measurement of land value, land conversion has become an intense subject of disputes.<sup>218</sup>

Similarly, land ownership and land use rights are also separated in urban areas, but city

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<sup>217</sup> Lin, 2009: 78-80.

<sup>218</sup> Chen, 2014:65.

governments and urbanites possess comprehensive rights to dispose of the land. On 9 September 1987, Shenzhen SEZ pushed the boundaries of the law by auctioning and selling its land use right to a joint venture.<sup>219</sup> As this policy was considered a necessary step to boost foreign investment and increase land use efficiency, China's constitution was amended in 1988 to legalise the transfer of land use rights.<sup>220</sup> The Property Law (2007) further grants urban residents the rights to sell, lease and collateralise their real property built upon state-owned land. As the interests of the owners of land (city governments) and the users of land (foreign investors, private developers and urban residents) largely converged, land development in the city centres or designated development zones became more effective and less contentious.

The legal reforms also modified the meaning of the “dual land” tenure system in which the difference involves both locality and the separation between land ownership and land use rights. The socialist regime's public ownership of land has been preserved, while the private sector's demand for clearly defined land use rights has also been accommodated. Despite the revision and adaptation, land development has remained severely conditioned by the socialist legacy rather than primarily driven by demand and supply.

### ***Land Conversion and Its Discontents***

This conditional relaxation of the land system reveals the dilemma of China's post-socialist transition. While the local governments aim to attain rapid economic growth at any price, the principle of public land ownership is inalienable. Although the central government and the public consider industrialisation and urbanisation vital, they are increasingly concerned about impacts on food security and, to a lesser extent, environmental sustainability. The dual land tenure system has therefore provided a form of institutional constraint that not only regulates the process of land conversion but also defines the interests of stakeholders. The state or the rural collective thus owns all land and monopolises its primary market. The exclusive role of local governments and the complementary roles of collective agencies in converting and leasing land have become sources of discontent.

Land expropriation has often resulted in social unrest. Land disputes and associated

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<sup>219</sup> Similar land use rights transactions had begun as early as 1980 in the SEZ. See Shenzhen Municipal Chronograph, 2011: vol. 3: 138-142.

<sup>220</sup> China Constitution, art. 10.

grievances among local authorities and private developers are estimated to constitute more than 60 per cent of the 90,000 and 180,000 “mass incidents” that occurred in 2006 and 2010, respectively.<sup>221</sup> A longitudinal survey by Landreas shows that the number of land-taking cases increased steadily from 2001 to 2010. The NGO’s nationwide survey in 2011 suggests that farmers received only \$17,850 per hectare as compensation on average or 2.5 per cent of the market price obtained by local governments (\$740,000 per hectare).<sup>222</sup> Other estimates of the value of this compensation vary between 5 and 10 per cent of the market price.<sup>223</sup> This vast divergence arises because peasants’ compensation fees are settled in accordance with the standard of agricultural output of land rather than the market price of land.

Peasant impoverishment is a contributing factor to increasing urban-rural inequality, in addition to polarisations within urban and rural sectors respectively. Data from NBS confirm that the urban-rural income gap rose from 1.71 in 1984 to 3.33 in 2009. If the value of urban social welfare is considered, then the rural-urban income disparity is even greater.<sup>224</sup> One land-related explanation is that compared with urbanites, who can invest and lease land use rights from the city government (secondary market) and then trade their property between private individuals (tertiary market), farmers are prohibited from trading their land or mortgaging their buildings, and their land use rights can be circulated only within the rural collective. Without a secondary and tertiary market, farmers cannot capture the market value of their piece of collective land.<sup>225</sup> Nevertheless, most farmland in China, after all, is not marketable in the same way as in the coastal and developed areas because of the differentiation in rents.

Explicit in this argument is that the privatisation of collective land will clarify the ambiguity of ownership rights and reduce the frequency of social disputes.<sup>226</sup> Implicit in this argument is that an increase in land use transactions in rural areas will bring justice to peasants and resolve the problem of under-urbanisation in China.<sup>227</sup> Absent from these neoliberal doctrines are the socio-political consequences of ideological privatisation and

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<sup>221</sup> Ran, 2011; *China Daily* 27 June 2011.

<sup>222</sup> Landesa, 2012.

<sup>223</sup> Qian, 2004:56.

<sup>224</sup> Li and Luo, 2010: 209.

<sup>225</sup> *China Daily* 1 March 2011. See also *Urban China*, 2009.

<sup>226</sup> Zhou, 2004: 193-194.

<sup>227</sup> See Chang and Brada, 2006.

unrestrained urbanisation. These arguments fail to account for the social protection of the peasantry and the affordable settlements in migrant enclaves that are inseparable from the dual land tenure system.<sup>228</sup> Land compensation from the sale of land is a one-off event that cannot be compared to sustained welfare through land tenure. Furthermore, privatisation does not truly increase the bargaining power of peasants in the context of local state corporatism.

Furthermore, the question of whether peasants should be regarded as the owners of collective land who are entitled to obtain the entirety of its market value is also debatable.<sup>229</sup> Because real estate has brought huge revenue to city governments and private developers, they do mind to give higher compensation to the native villagers' variable land in the city. In the end, the cheap shelter for the migrants is demolished whereas the lavish high-rise is sold to the urbanites, thereby structuring inequality as the former is deprived of basic security for lodging while the latter earning compound interest from the property. Most importantly, the disintegration of the dual land system will drive peasants into the cities, resulting in food insecurity, depriving farmers of basic security, reproducing a landed class, and forming slums with their entrenched inequality and social disorder.

In the following, we use the pattern of back-and-forth migration and the emergence of migrant settlements to illustrate the ways in which the dual land system has respectively guaranteed structural stability in the course of economic transition and managed urban contestations brought by rural migrants. Although these socialist legacies have created other problems, privatisation would obviously compromise the attainment of an alternative model of modernisation.

## **EXIT POINTS, SOCIAL PROTECTION AND STRUCTURAL STABILITY**

### ***Collective Land, Return Migration and Structural Stability***

The global financial crisis of 2008 led to a sharp reduction in export orders from the United States and Europe. The 20 per cent reduction in exports in 2008 severely affected China's labour-intensive and export-oriented economy, leading to a large and abrupt decrease in

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<sup>228</sup> Wen, 2006:20.

<sup>229</sup> He, 2012: 25-28.

demand for migrant workers in the manufacturing sector in coastal cities. By early 2009, the number of unemployed migrants who were laid off and became precarious labour in cities reached 20 million, which constitutes 40 per cent of the world's total estimated unemployed population as a result of the global financial crisis.<sup>230</sup> Based on a representative sample of 1,200 household in six provinces in rural China, another estimate suggested that 45 million rural dwellers either lost their jobs or postponed their entry into cities between September 2008 and April 2009.<sup>231</sup>

Why have the effects of the economic crisis on advanced countries and export-oriented countries not affected China's social stability as well? The 4 trillion *yuan* stimulus package from China's central government is largely responsible for the country's rapid and forceful rebound. China's GDP recovered from a growth rate of 6.1 per cent in the first quarter to reach 10.8 per cent in the fourth quarter of 2009.<sup>232</sup> Another commonly mentioned factor is the improved flexibility of China's labour market, as rural workers were willing to accept lower wages or shorter working hours in order to stay in the market during the crisis. The average monthly salary and hours of work for a migrant worker is said to have decreased by 2.4 per cent and 1.9 per cent, respectively, between January and April 2009.<sup>233</sup>

However, one must recall the gap in time between the adverse effects of the financial crisis and the recovery from these effective measures. In late 2008, hundreds of thousands of laid-off rural migrants blocked and protested outside of closed factories and labour departments. Ultimately, it was not the suppression from the coercive state that dismantled this angry and impoverished crowd. Instead, these unemployed rural migrants disappeared as they were pushed out of cities because of a lack of social welfare and pulled towards the system of land and subsistence in the countryside. Millions of rural migrants embarked on their spring journeys (*chunyun*) home several months earlier than usual and thus filled the headlines of news stories.<sup>234</sup>

This movement indicates that the basic social protection provided in the countryside offered a trade-off for the adverse effects of the global crisis in cities. The returned

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<sup>230</sup> Chan, 2010:660.

<sup>231</sup> Garnaut et al., 2010:245.

<sup>232</sup> *Xinhua* 21 January 2010.

<sup>233</sup> Garnaut et al., 2010: 242, 249.

<sup>234</sup> Chan, 2010: 659.

migrants were immediately surrounded by their families and relatives and absorbed into their land to contribute their labour. The collective land system provided more than simply a subsistence remedy, such as housing and food; the system also offered social ties and personal worth in the midst of economic shock. This system guarantees permanent shelter and temporary relief for migrants in the process of seeking alternative employment. Findings from a large-scale nationwide survey indicated that approximately 15 million rural migrants returned to the villages in 2009, and approximately 80 per cent of these migrants returned to the agricultural sector and worked for an average of half the year.<sup>235</sup> The rural-urban divide embedded in the *hukou* system and the dual land system was aligned to generate structural stability.

To be certain, the buffer zone effect in the course of the economic recession is not unprecedented. Under a dual economic structure, the agricultural sector always serves as the channel for reshuffling labour from the manufacturing and service sectors. When wages in the modern sector fall below the reservation wage, workers will seek employment in the traditional sector provided that the cost of moving is not prohibitively high.<sup>236</sup> This process also occurred during the Asian financial crisis, when millions of Indonesian workers returned to the countryside, resulting in reduced unemployment in the cities.<sup>237</sup> Indonesia's long-developed rural infrastructure and the size of its agricultural economy were cited as the causes enabling the return flow of labour, leading to a lower unemployment rate and slower decline in real earnings in the rural areas than in the urban areas.<sup>238</sup> China's situation was special because its return migration was not simply driven by economic factors but also structured by the sophisticated *hukou* and land systems.

Although the interplay between surviving socialist institutions and new market forces has formed and largely sustained urban villages, what has enabled China to regulate urban diseases common in developing countries is not a distinctive development model but a nuanced pace and form of development. First, China has experienced rapid, constant and unprecedented economic growth for three and a half decades. The pace of development quickly generated employment opportunities for surplus labourers and continuously reduced urban poverty. Second, China has adopted an investment-led growth model in

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<sup>235</sup> Kong et al., 2010:263.

<sup>236</sup> Ranis and Fei, 1961.

<sup>237</sup> Fallon and Lucas, 2002.

<sup>238</sup> Knowles, 1999: 8-9.

which the construction of real estate, highways and high-speed railways are uninterrupted. This development pressure generated an urban landscape with an associated modern aesthetic, which is contrary to the formation of slums and the presence of squatters.

### ***Back-and-Forth Migration and Exit Points for Migrants***

China has long experienced a back-and-forth migration pattern even prior to the global financial crisis. Each year, hundreds of millions of rural migrants have taken the journey home during the Spring Festival, an event that the World Bank calls “the largest movement of people in the world” (Figure 4). The World Bank sought to use this phenomenon to illustrate how factor mobility enabled efficient economic growth in China, whereas others have emphasised the role of institutional factors.<sup>239</sup> Another regular trend associated with migrants in China is high remittances, which are not only an important source of rural income but also reflect the migrant workers’ intention to return to their native place.<sup>240</sup> Remittances from urban to rural China has increased from 200 billion *yuan* in 1997 to US\$ 30 billion or approximately 250 billion *yuan* in 2005.<sup>241</sup> The majority of first-generation migrants whom I surveyed concurred that they send at least 8,000 *yuan*, between one-fourth and one-third of their annual income, to their family in their native place.<sup>242</sup> Remittances are primarily used for improving rural residents’ living standards, such as purchasing food, clothing and medicine; settling debts and fees; and building a house. However, better-off households use the remaining sum for investment and capacity building. The major means include recruiting labour to assist in crop cultivation, buying better fertilisers or farm equipment, and paying children’s tuition fees.

From time to time, rural migrants return to their permanent residence in the countryside as a way to adapt to fluctuations in the urban job market, participate in personal and social rituals, or invest and start businesses. Migrants seldom stay in one city to develop their careers; rather, most migrants move between cities and between the countryside and cities to seek better job opportunities and to adapt to the business cycle of manufacturing factories and construction projects. Although Shenzhen has the fastest economic growth rate with abundant jobs, three-fifths of its rural migrants have stayed and worked in the city

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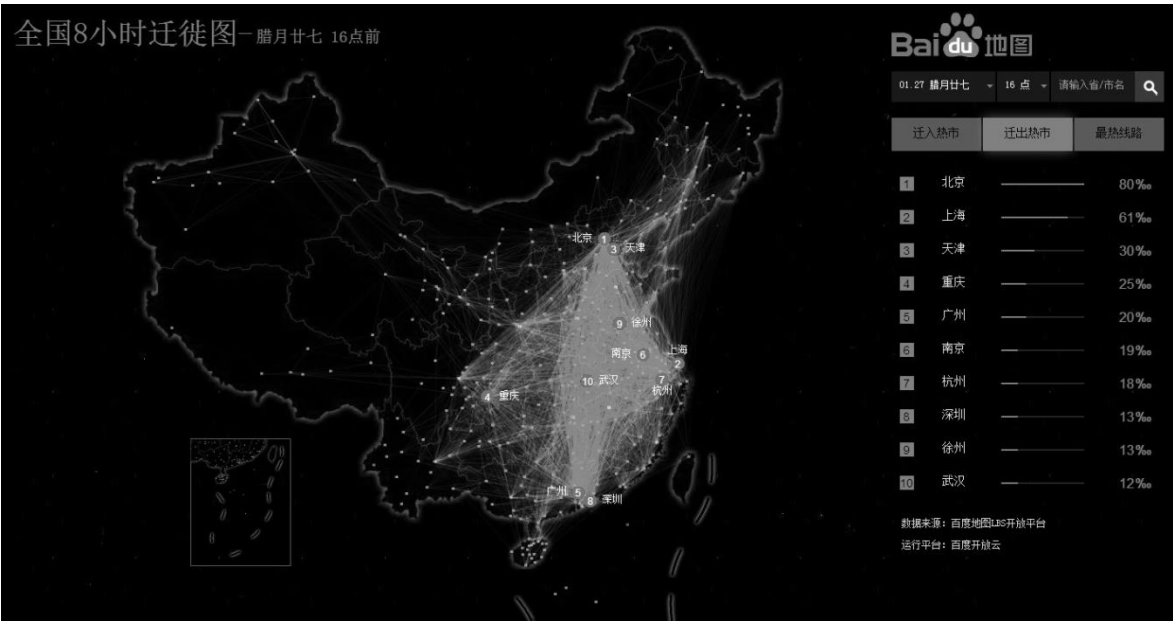
<sup>239</sup> Cited from Chan, 2010:660-661.

<sup>240</sup> Murphy, 2002:26.

<sup>241</sup> Nyberg and Rozelle, 1999:101; Cheng and Zhong, 2005:5.

<sup>242</sup> The remittances sent by young migrants are decreasing, a phenomenon that will be discussed in Chapter 7.

for fewer than 5 years.<sup>243</sup>



**Figure 4 Pattern of internal migration during Spring Festival, 27 January 2014**

This back-and-forth migration pattern is caused by two sets of institutional constraints. First, rural migrants and their families are not entitled to much social security in cities under the *hukou* system. Second, the collective land system provides a subsistence level of social protection that includes shelter and food in the countryside. Consequently, rural migrants tend to move into cities alone and leave behind the elderly and children, whose productivity is sufficient to make a living through farming and, to a lesser extent, the renting business. Because of the strain in human resources, each rural household has only 6 to 12 *mu* of land to cultivate; this amount produced an average land-related income of 6,000 to 8,000 *yuan* annually in 2010 and 2012 according to a survey of more than 50 counties. Migrant workers’ remittances provided an additional 3,000 to 5,000 *yuan* of income.<sup>244</sup>

Of course, the actual amount varies between inland and coastal regions and is also conditioned by the change in credit interest. However, the collective land system constitutes a “generational division of labour” by enabling the less productive elderly to earn a living from farming and allowing the more productive youth to seek employment in

<sup>243</sup> Shenzhen Statistics Bureau, 2012a.

<sup>244</sup> He, 2014: 114.

cities.<sup>245</sup> The abolition of the century-old agricultural tax in 2006 reduced the autonomy of township governments and their ability to provide public goods, but it also lightened the burden of those staying on the farm.<sup>246</sup>

Thus, an official survey conducted across three provinces and twelve villages in 2012 indicated that as many as 95.4 per cent of elders were satisfied with their current living standard.<sup>247</sup> The way that the question was posed indicates that only poverty reduction was assessed, whereas other social costs such as broken families, elderly and children left behind, and the destruction of the rural fabric of life were untouched.<sup>248</sup> However, my in-depth interviews (n=60) in the four urban villages show that more than three-fourths of migrants were concerned about the value dimension attached to rural land, as this dimension has secured the ties between migrants and those left behind. While migration has been endorsed as a means of bringing fortune to one's families and a challenge to be overcome by talented and adventurous young peasants, those who have partaken in that ritual are expected to eventually settle in their native place.<sup>249</sup> Although many of my interviewees expressed the desire to privatise their land, emphasising the sense of security behind property ownership, they almost unanimously agreed that if privatisation meant abandoning their collective land rights, they would refuse to sell their means of production and to sever their social ties in exchange for a one-off payment.<sup>250</sup>

In addition, because rural migrants lack resident status, the cost of leaving urban areas and returning to rural areas once the employment situation becomes unfavourable is relatively low. Their skills and age are additional factors urging migrants to return to the countryside. Labour-intensive industry and its division of labour cause most rural migrants to remain semi-skilled workers despite years of work and training. To increase efficiency, younger workers always replace older workers. In 2008, 70 per cent of all migrant workers were below 40 years of age, but this figure decreased to 59.3 per cent in 2012.<sup>251</sup> Although this change reflects the beginning of the end of China's demographic dividend, it remains

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<sup>245</sup> He, 2014: 108-109; National Population and Family Planning Commission, 2012:47.

<sup>246</sup> Kennedy, 2007.

<sup>247</sup> National Population and Family Planning Commission, 2012:49.

<sup>248</sup> See State Council Migrant Worker Office Research Team, 2010: 241-345 for a survey of left behind elderly and children.

<sup>249</sup> Murphy, 2002:21.

<sup>250</sup> Fieldwork, Shenzhen, 2012-2014.

<sup>251</sup> National Bureau of Statistics, 2009a, 2013a.

difficult for rural migrants to find blue-collar work in large factories and in coastal cities after the age of 40.<sup>252</sup> Hence, the longer the rural migrants work in the city, the less competitive they are.

Finally, the average job tenure for China's rural migrants is extremely short. According to two national surveys, migrant workers who resided in cities less than 2 years increased from 35.43 to 39.76 per cent from 1987 to 2005.<sup>253</sup> Similar pattern was also presented in Shenzhen, in which only 29.2 and 3.3 per cent of its migrant workers respectively worked for more than 5 and 20 years in 2013.<sup>254</sup> These data infer two recurring patterns. One is that rural land and urban jobs have continued to push new migrants out and pull old migrants back to balance and steadily decrease the average job tenure. Another is that despite of their long residence in the city, rural migrants find difficulty to assimilate into it, nor consider it the permanent residence. Although the abolishment of the *hukou* system could be a long-term solution, collective land has somehow managed to address the comparative disadvantage of rural migrants, who are provided with not only a second form of employment but also alternative business and social roles in the countryside. The combined effect is that rural migrants prefer to rent a cheap apartment to minimise their costs in the city rather than building a house from scratch as their third world counterparts in the need of occupying a free space and in the hope of signifying their hard life. These institutional constraints retard the formation of slums, although the floating population has become as high as 274 million.

However, back-and-forth migration is not unique to China. In Latin America, Southeast Asia and West Africa, circular migration has occurred in response to changes in production cycles and the onset of economic crisis.<sup>255</sup> China's situation was nuanced, as its circular migration was not simply driven by economic factors but also structured by its sophisticated *hukou*, the land systems and associated tenure of urban residence, and the threat of inability to obtain future permits for travel to cities. In short, circular migration alone cannot prevent the formation of slums, but China's institutional constraints have collectively increased the costs and changed migrant workers' prospects of permanent residence in cities. Erecting urban slums, albeit illegally, in an attempt to occupy a space

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<sup>252</sup> Interviews, trade union activists, Shenzhen, 30-31 March 2013.

<sup>253</sup> National Health and Family Planning Commission, 2010:127-128.

<sup>254</sup> Cf. National Health and Family Planning Commission, 2010:20; Shenzhen Bureau of Statistics, 2014b.

<sup>255</sup> De Hass, 2005; Skeldon, 2012.

and to signify their citizenship, has not been the intention of China's rural migrants. Instead they are semi-proletarianised and become long-term sojourners.

## THE TRAJECTORIES OF GRASSROOTS NEGOTIATIONS

### *Migrant Enclaves on Collective Land*

In the context of rapidly developing urban sprawl, collective land in rural areas was absorbed into the jurisdiction of urban areas. Until 2010, Shenzhen maintained a dual administrative structure that divided the municipality into two parts. One administration governed the districts of Luohu, Futian and Nanshan and several early industrial zones designated as the city proper. The territorial jurisdiction of the SEZ was restricted to this 395 km<sup>2</sup> of land and included 91 administrative villages. The other administration governed the districts of Bao'an and Longgang and the new high-tech zones in the suburbs. This area, which included 239 administrative villages spread across 1,553 km<sup>2</sup> of land, was known as the secondary barrier (*er xianguan*).<sup>256</sup> This administrative division has not only determined the quality of migrant settlements but also shaped the dynamics of negotiations between the municipal government and other grassroots actors.

Although it was not uncommon for local governments throughout the world to utilise land development as an urban growth machine, some observers argue that China was distinctive because of the local state's monopolistic power in the land system. Not only did this power leave land conversion relatively unregulated, but land revenue also contributed to the formation of local state corporatism.<sup>257</sup> According to Ping's calculations in 2006, land revenue has generated 615 billion *yuan* in fiscal income for local governments and accounted for 30 to 60 per cent of their expenditure. Furthermore, Wu estimated in 2013 that 30 trillion *yuan* of land value has been transferred to the local state through land requisition and development in the reform era.<sup>258</sup> This figure contributed to the synthesis of the enormous, predatory and almost exclusive gains that local governments have secured from land development.

However, the very existence of scattered yet widespread urban villages – many of which

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<sup>256</sup> Shenzhen Statistics Bureau, 2013: table 1-3; Shenzhen Urban Village Reconstruction Office, 2005: 2.

<sup>257</sup> Po, 2008; Chung, 2010.

<sup>258</sup> Cited in Wu Jinglian, 2013.

intersect with high-rise buildings and grand shopping malls – in the sunbelt city’s urban centre challenge the validity of this state-centred thesis. If the local state had enjoyed hegemonic power, these rural institutions would not have been integrated into the cities after 35 years of reform. If the local state treated economic returns as an overriding factor, these low-density tenements would have been demolished long ago to increase land use efficiency and value. On the contrary, the dual land system has continued to restrain municipal governments from infringing on the boundaries of urban villages. The fact that urban villages have never effectively become urban “communities” (*shequ*) is a good indicator of the power sharing between city governments and rural collectives, which will be discussed further in Chapter 5.

Nevertheless, a carrot and stick approach has been adopted to maximise disposable land in the sunbelt city. On the one hand, the municipal government has allocated incentives to transform villagers into urbanites. The transfer of rural *hukou* to non-rural *hukou* (*nongzhuanfei*) was granted to all native villagers whose villages fell within the city’s administrative jurisdiction. As shown in Chapter 3, this type of transfer is difficult to procure under the *hukou* system, as it grants migrants both citizenship and the associated social welfare. However, when the Shenzhen government enacted this policy in 1992, it encountered bitter resistance. More than 95 per cent of native villagers refused to accept the offer.<sup>259</sup> They voiced concerns regarding the loss of social ties and the strict enforcement of the one-child policy, but the primary reason for their discontent was that the welfare entitlements of the urban *hukou* could no longer be compared to the rental value of urban village housing for this group of “landed peasantry”. Benefitting from small groups and shared interests, they overcame the problems of collective action and succeeded in forcing the government to put the *hukou* transfer policy on hold.<sup>260</sup> Contrary to popular perception, China’s coercive state retreated, and this action resulted not in the protection of a dissenting public sphere but in the production of a rentier class.

On the other hand, the municipal government has applied its despotic power to nationalise collective land into state-owned land because the law allows the local government to convert and develop agricultural land in the “public interest”. Although industrial upgrades and transportation networks are frequently used as the pretext for expropriating collective

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<sup>259</sup> Zhong and Huang, 2012: 46.

<sup>260</sup> See Olson, 1971:53-65.

land, most of these projects have resulted in factory buildings or real estate developments. The merging of administrative divisions in 2010 was the latest overarching attempt by the local state to discard the dual land system. Although this policy technically made every piece of land state owned, disputes and litigations over land have continued to increase, and the nationalisation process has not been effectively implemented as of 2015.

Central to such disputes is that although the land has been nationalised, the property built upon it remains private or collective. Essentially, nearly all of the available and accessible farmland in Shenzhen had been requisitioned and developed. According to a report of the National School of Development of Peking University, the built areas of Shenzhen increased from 3 m<sup>2</sup> to 934 m<sup>2</sup> between 1979 and 2003, constituting 47 per cent of the city's total area. This figure is three times higher than those for Beijing, Shanghai or Guangzhou.<sup>261</sup> What had been left untouched since 2005 until the large-scale urban renewal was the *zhaijidi* in the villages, which was saved through complicated negotiations with the grassroots regime and protected by a reluctance to openly violate fundamental socialist rights.<sup>262</sup> In Shenzhen, each native household is entitled to a piece of *zhaijidi* on which to build an apartment of 480 m<sup>2</sup>. The term “native” refers to those possessing a local rural *hukou* registered before 1 January 1991 in the inner city (*guannei*) and before 29 October 2004 in the outskirts districts (*guanwai*). These are the dates on which the land in the respective areas was nationalised by the municipal government. A household includes an unmarried native villager under the age of 30 regardless of sex. In practice, however, women in Shenzhen have rarely inherited the household quota based on lineage and family traditions.<sup>263</sup>

When the city expanded and absorbed the rural villages of peri-urban areas into its jurisdiction, the dual land system intervened. Because the “land for agriculture” and “land for construction” were requisitioned and redeveloped but not the “land for dwelling”, urban village housing still stands in the city centre. In 2000, Shenzhen had 241 urban villages occupying 43.9 km<sup>2</sup> and housing 2.15 million inhabitants. By 2005, the figure had risen to 320 urban villages occupying 93.5 km<sup>2</sup> and housing 5.02 million inhabitants, of

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<sup>261</sup> *Southern Weekly*, 1 August 2014.

<sup>262</sup> Zhang et al., 2003, 918-920; Tian, 2008, 290-292.

<sup>263</sup> Shenzhen Government, 2006.

whom 4.69 million were rural migrants.<sup>264</sup> According to an annual report from Shenzhen's Urban Villages Redevelopment Office, urban village housing accounted for approximately 92 per cent of the rental housing for rural migrants.<sup>265</sup>

China's urban contestation is thus overshadowed by a series of exchanges and negotiations between the city governments and rural collectives entitled to different land use rights and subject to similar institutional constraints. Hsing depicted these actors and their subsidiaries as "socialist land masters", as their authority and rights are not only inherited from the socialist era but also justified by the principle of collective ownership of property and means of production.<sup>266</sup> In 2014, Shenzhen conducted a new round of land reform aimed at accelerating land transition and urban renewal, and during this period, the socialist land masters both competed and aligned with one another. In the following section, we examine how and under which conditions the stakeholders of collective land have seized their interests while unintentionally protecting the living space of rural migrants. The policy effects with regard to property rights, the distribution of land value and migrants' living space will be discussed further in Chapter 7.

### ***Shareholding Reforms and Intermediaries***

Joint-stock companies are vital to the process of land development and grassroots negotiation. Although the shareholding reform of JCs is traditionally regarded as exclusive to the Pearl River Delta, recent studies show that it has also been transferred to or initiated in the Bohai Bay Rim and the Yangtze River Delta. Not surprisingly, all of these areas are sunbelt economies that have experienced more severe urban contestation and have enjoyed better access to this new model. Shenzhen, among Guangzhou, Foshan and Dongguan, was one of the pioneers of this initiative. The first wave of shareholding reform arose in 1992 as a bottom-up initiative to address the ambiguity of land use rights and to capture the enormous land revenue from industrialisation. The second wave emerged in 2004 in the form of a state-led policy that aimed to transform all native villagers into urbanites and to nationalise collective land for urbanisation.<sup>267</sup>

The years of the reform are significant. The year 1992 marked Deng Xiaoping's Southern

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<sup>264</sup> Song et al., 2008:314; Shenzhen Urban Village Reconstruction Office, 2005: 3-4.

<sup>265</sup> Shenzhen Urban Village Reconstruction Office, 2006: 12.

<sup>266</sup> Hsing, 2008: 58.

<sup>267</sup> Ma, 1998; Po, 2008:1609-1610.

Tour, which accelerated the pace and scope of market reforms. The shareholding reform was justified because “other forms of ownership should supplement the dominant state sector in the initial stage of socialism”. The JC was hence classified as an “organised socialist enterprise” that contained a balanced share of collective and individual shares.<sup>268</sup> Similarly, the year 2004 marked the beginning of a massive modernisation plan in Guangdong. After years of industrialisation without urbanisation, the Guangdong provincial government and the Shenzhen municipal government were eager to use land development as a new engine of growth. Consequently, all rural collectives within Shenzhen’s administrative boundary were given a three-year transition period to convert into JCs.<sup>269</sup>

**Table 6: Features of Three Joint-Stock Companies in Shenzhen**

Village/Feature	<i>Eligibility of shareholders</i>	<i>Percentage of collective shares</i>	<i>Sources of collective assets</i>	<i>Criteria for share circulation</i>
<i>Nong</i>	Native villagers (lineage)	40	690 mu of <i>zhaijidi</i> and TVE buildings	Pass on to family members
<i>Shi</i>	Native villagers (lineage)	35	380 mu of <i>zhaijidi</i> and TVE buildings	Sell to the collective
<i>Shang</i>	Native villagers (household)	25	340 mu of <i>zhaijidi</i> and TVE buildings	Sell to other shareholders

Source: Annual Reports of the Joint-Stock Companies in *Shi*, *Shang* and *Nong* villages in 2011-2012, supplemented by interview data.

As a privatised village committee, a JC is essentially a hybrid institution. Such a company concurrently represents the collective ownership of land and the interests of individual shareholders. Table 6 shows the unique and exclusive features of JCs. 1) The nature of the shareholding is mixed, containing both collective and individual shares; this design embeds the statist element into the privatised entity. 2) Eligibility for being a shareholder is rigid; it includes only native villagers with the additional conditions of lineage and household, which are meant to prohibit the transfer of shares by marriage and to regulate the expansion of shareholders among the youth. 3) The transfer of shares is discouraged, with circulation allowed only within the collective and among shareholders; this approach ensures cohesion among the villagers but also assures the authority of management. 4) The sources of collective assets are nearly identical, consisting of land assets and real property

<sup>268</sup> Interview, retired deputy mayor, Shenzhen, 18 December 2012.

<sup>269</sup> Shenzhen Urban Village Reconstruction Office, 2006:8.

in collective land, which entails spatial constraints for the company.<sup>270</sup>

These features indicate that the JC has functioned as a hybrid entity combining and exercising the roles of state, firm and communal organisation in urban villages. This structure reinforces a closed system that entitles insiders to collective assets and associated dividends and that also grants the JC the authority to make deals with outsiders. This institutional arrangement ensures that every JC, regardless of its wealth and authority, has been designated the objective of making a profit and managing an enclave.

During the shareholding reform, JCs converted all collective land and assets into shares to form land-based joint stock co-operatives. Because most of the collective land in China had been contracted or leased to individual households under the HRS in the early 1980s, the shareholding reform – although containing elements of privatisation – in practice led to a process of re-collectivisation.<sup>271</sup> Consequently, the JCs adopted a proactive role in assuming collective land use rights. In contrast, villagers became a passive dividend-earning class who did not need to farm or conduct business. This process has transformed the role of the JC from an impartial contractor to a committed player that oversees daily operations and is entitled to profits from land conversion and transactions.

### ***Land Development and Grassroots Exchanges***

The primary role of the JC is that of a manager and a broker. Nearly every JC in the sunbelt cities has brokered the nationalisation of collective land and participated in the illegal transition of such land in the informal market. Although the Land Administrative Law prohibits the transition of collective land beyond native households, the law makes an exception for TVEs to boost local employment and industrialisation. When Shenzhen's TVEs lost their comparative advantages, such as cheap labour and abundant land, to their counterparts in adjacent cities, the sale of TVEs actually provided a new source of income for urban villages. The JC took advantage of this loophole by selling the shares of TVEs or by establishing joint ventures with investors.<sup>272</sup> In these tailor-made joint venture agreements, the JC always used land to pay for its investment, which effectively transferred the land assets from the collective to outsiders, primarily foreign investors, real

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<sup>270</sup> Interviews, village bosses, Shenzhen, 23 March 2012, 29 and 30 September 2013.

<sup>271</sup> Ma, 1998; Ho and Lin, 2005.

<sup>272</sup> Interviews, Shenzhen, 29 and 30 March 2013.

estate developers or the subsidiaries of government *xitong*.<sup>273</sup>

For instance, in *Gong* village, which is adjacent to the high-tech development zones, more than 60 per cent of its collective land has been transferred into nearby manufacturing companies to build factories and dormitories. This series of informal land transactions explains why more than half of the factories in the Pearl River Delta were actually built on rural collective land.<sup>274</sup> In *Shang* village, which is within the commercial centre, a total of 400 *mu* of agricultural land have been reallocated to the TVEs and then sold to real estate developers. However, despite the enormous transition of land, the majority of the 239 administrative villages in the city expanded and maintained a physical boundary in the city until the late 2000s.<sup>275</sup>

The territory of the JC has been preserved because it is also a ruler of the community. This unique role ensures that land exchange is not purely monetary and that physical requisition does not necessarily compromise the JC's political function. For instance, in *Shi* village, collective land has regularly been sold for public projects, thereby enhancing the development of external and political linkages. The construction of the Shenzhen Central Plaza is one of the most representative projects demonstrating this process that could not have materialised without assistance from the JC in *Shi* village. The project covered a total area of 45.6 hm<sup>2</sup> constituting the South Axis of Shenzhen, in which more than 75 per cent of the land was allocated to commercial buildings and shopping malls, with the remaining part reserved for green belts, performing sites and government land use.<sup>276</sup>

In exchange, the municipal government distributed 60 million *yuan* of funding to construct a cultural centre in the urban village and to build other public amenities, such as roads, parks and sanitary facilities. Furthermore, the village boss of *Shi* took the opportunity to establish patronage up to the level of the major's office. Since then, the JC has devoted more resources to governing the urban village to secure its collective assets and to request additional state funding. In return, the Shenzhen government has used the village as an illustrative case for the central government and other cities. Ranking officials as high as Politburo members were brought to the village to see what were considered achievements

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<sup>273</sup> Hsing, 2010:57.

<sup>274</sup> Chung, 2010.

<sup>275</sup> Interviews, city planning officials, Shenzhen, 18 and 23 August 2013.

<sup>276</sup> Shenzhen Urban Planning, Land and Resources Commission, 2007.

of self-sufficient economies, socialist new villages, or governed communities. The parameters of urban villages are in this regard secured through the construction of political patronage.<sup>277</sup>

## **PRIVATISATION AND THE RESOURCEFUL COLLECTIVES**

### ***Emergence of a Rentier Class***

Although a typical urban village in Shenzhen contains an average of 70,000 people, its collective land rights are confined to approximately 1,200 shareholders who are native villagers. In legal terms, JCs, similar to VCs, are required to hold regular grassroots elections to choose their leaders and management team. However, the shareholding reform has essentially legitimised a form of money-for-seats patron-client relationship. This situation involves a highly autonomous grassroots realm along with enduring leadership of local bosses in urban villages. Four of the five chairmen and deputies of JCs whom we interviewed have held their positions since 1992, and two of them were the secretaries of VCs.

After the shareholding reform, a new type of “landed peasantry” emerged in the urban villages. Compared with rural peasants, urban villagers enjoy a variety of income sources, but most do not need to work. Each urban villager normally has four sources of income: 1) income from labour, 2) rental income from urban village housing, 3) annual dividends from the JC, and 4) compensation from land or property requisition. Among the 25 native villagers interviewed, none are currently work on a farm. Several villagers have started businesses that are largely related to real estate or managed by professionals; hence, the income generated should be classified as investment income rather than income from labour. Compensation can turn urban villagers into millionaires overnight, but such opportunities most often provide a one-off payment; we shall return to this topic in the discussion of urban renewal. Most of the time, however, rental income and annual dividends constitute a reliable source of income for urban villagers, transforming them into a landed, dividend-earning class.

Under this political economic structure, the interests of native villages are linked with

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<sup>277</sup> Fieldwork, Shenzhen, 10-21 June, 2013; Shenzhen Civil Affairs Bureau, 2007.

those of JCs. Table 7 describes the sources of income for the three JCs in our field sites. Despite minor categorical variations, the JCs undoubtedly rely on private business rather than government redistribution to function. Although district appropriation accounts for 10.1 per cent of their income, their collective assets produce the remaining 89.9 per cent. The primary difference between the three urban villages is in the types of property that are rented. *Gong* village, which formerly housed several SOEs and TVEs, has continued to benefit from renting out old factory sites. Similar infrastructures in *Shi* and *Shang* villages were redeveloped into apartments whose central locations ensure a high and suitable level of rental demand. Common to all three urban villages is their direct and indirect rental income, with approximately 76.1 per cent from rental charges and 13.8 per cent from investment returns and management fees. These business models and sources of income reveal the sphere of collective agencies and the market economy. The question of whether the hybrid system can enhance the primitive accumulation of labour and capital is as important as the question of whether it will cause corruption, inequality and inefficiency.<sup>278</sup>

**Table 7 Sources of Income of Joint-Stock Companies in Shenzhen**

Village/Source	Apartment rental (%)	Factory rental (%)	Management fee (%)	Investment dividend (%)	District appropriation (%)	Gross income (‘000)
<i>Shi</i>	71.8	2.8	8.3	5.3	11.9	7,624
<i>Shang</i>	68.9	4.9	7.7	8.7	9.8	6,278
<i>Nong</i>	56.7	23.1	6.2	5.4	8.6	4,120

Source: Annual Reports of the Joint-Stock Companies in *Shi*, *Shang* and *Nong* villages in 2011-2012.

### ***Provision of Affordable Shelter***

Undoubtedly, the most important role of urban village housing is to offer inexpensive, affordable and accessible shelter to rural migrants. Because *zhaijidi* is free, the cost of a house in an urban village is nearly identical to the cost of construction. The capital investment for such self-built housing is relatively small and can easily be financed through the personal savings of native villagers or borrowed from relatives, friends and rural credit unions. Collective land use rights ensure that these conveniently located accommodations are offered at relatively low prices, making them extremely competitive in a dynamic city’s low-end rental market. In 2010, the average rent in Shenzhen’s urban

<sup>278</sup> Wang et al., 2015. Chapters 5 and 6 will discuss and assess the collective roles of the JCs in detail.

villages was only two-fifths that of formal settlements. According to real estate agents and landlords, the rent for urban village housing accounted for approximately one-fifth to one-sixth of the monthly income of rural migrants. As of 2014, the cost of a two-bedroom flat in the *guanwai* pair rented by migrant workers who either refused to live or were not allocated with factory dormitory was between 500 and 1200 *yuan* per month. Apartments of similar size in urban villages in the city proper, which are primarily reserved for migrant entrepreneurs or white-collar migrants, cost between 800 and 2,200 *yuan*.<sup>279</sup> Basically, the rent for a bed space in the city centre is roughly equal to rent for a two-bedroom flat in the outskirts.

The legal status of urban village housing further contributes to its domination in the rental market. Commonly referred to as “small property rights houses” (*xiao chanquan fang*), this housing is built on collective land with limited property rights. Most of the apartments hold only a stamped certificate from the rural collectives to trace their ownership, but they are banned from obtaining an official property rights certificate issued by the Housing Authority. Because a “small property rights house” cannot be transacted in the market, it can be used only for rental purposes. Motivated by high demand and lucrative gains, villagers commonly build high-density housing in a way that maximises floor area. Houses in the city centre are approximately 5 to 6 storeys high, whereas houses in the outskirts reached 12 storeys after the 2000s. These houses exceed the limits of municipal building regulations that cap the height of village houses at three storeys and the size at 480 m<sup>2</sup>. Subordinated to a rural land system and primarily regulated by the JC, urban villagers enjoy more flexibility in the adoption of city planning and safety regulations. An estimated 56 per cent of the buildings in Shenzhen contain illegal structures, the majority of which are concentrated in urban villages.<sup>280</sup>

### ***Institutional Sources of Informality***

Multiple reasons have enabled the urban villages to evade regulations and expand rapidly. The structural reason is the local state’s tacit encouragement. On the administrative level, although the state no longer provides this form of public goods in the era of privatisation, the responsible bureaus and officials would be held responsible if the crime rate or social unrest increased. Furthermore, more living space and rental transactions mean more value-

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<sup>279</sup> Zhong and Huang, 2013: 86-89; Interviews, Shenzhen, 17 and 18 August 2012.

<sup>280</sup> Ibid.

added, business and land use taxes, which are important sources of local revenue. Many local officials have thus fully recognised the contribution of urban villages in providing affordable shelter for migrants and relieving their burden. On the personal level, the cadres and officials in local police stations and fire departments as well as industry and commerce, and environmental bureaus all live across the bribes and fees from these native villagers and rural migrants. The larger the irregular and informal economy is, the higher the black and grey income is; and local officials thus have incentives to preserve these illegal structures.

Although the structure in urban villages may be illegal, the building materials are not necessarily primitive and unsafe. On the contrary, most apartments in our field sites were built with durable materials by professional construction teams. Each house normally had a foundation, windows, and glazed tiles and roofing, along with shared kitchens and bathrooms. The apartments were often rented to several related migrants or subleased by an agency working on behalf of landlords. Durable materials were used because the housing was not a one-off purchase commodity but rather a financial asset that could generate regular dividends. Precedent suggested that although unsafe and hazardous buildings had been torn down, illegal or unauthorised structures qualified for compensation, albeit at a discounted rate. Relatively durable buildings would hence maximise villagers' claims for appropriate compensation during urban renewal. Because affluent native villagers had originally been legally restricted and communally bound to stay in their apartments, they had an incentive to maintain higher building standards.<sup>281</sup>

Apart from the monetary benefits, living in migrant enclaves also has other distinctive attributes. Common to the majority of rural migrants is a period of residence in highly controlled factory dormitories in the city outskirts, followed by tenancy in the relatively autonomous urban village housing in the city centre. A sense of improvement is thus widely held among rural migrants, and this perception partly explains why they have chosen to accept the status quo. During the interviews, many migrants suggested that having the freedom to choose when to switch off the lights, having the space to bring guests into their homes and, ultimately, not being watched and regulated by others signify that they are in control of their daily lives.

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<sup>281</sup> Chapter 7 will assess the migrants' subjective and inter-subjective experiences of the trades and order in migrant enclaves.

In sum, the JCs, native villagers and city authorities have formed a patronage that requires each group's mutual benefits and cooperation to function. Initially, native villagers inject their collective assets into the JC and cast their votes to support its leadership. To maintain the system, the JC must deliver annual dividends from collective investments and ensure an orderly enclave to facilitate the development of a competitive rental market. In a quid pro quo arrangement, local governments and grassroots regimes have an incentive to tolerate illegal structures in the urban villages and to endorse the relative autonomy of the JCs. For an urban village, housing has not only provided shelter for rural migrants, who are essential for industrial growth and urban development, but also regulated the migrant enclaves, which can be extremely costly for official units and protocols to manage. As long as the economic and political return is superior to other development alternatives, this patronage will continue to enjoy mutual assurance and guarantee structural stability in China's sunbelt. Chapter 6 will explain how and why the launch of a new wave of urban renewal projects targeting at the urban villages in the city centre indicates the changes in the functions of the above equation.

## 5 Commercialised Grassroots Agencies and Regulated Urban Space

### INTRODUCTION

This chapter examines the mechanisms of grassroots governance in the migrant enclaves in the course of decentralisation and privatisation. This exploration focuses on an intermediate realm and examines the roles of a group of non-state agencies. Known as joint-stock companies, they are privatised village collectives that have nonetheless inherited the dual roles of governance and production in the urban villages. These collectives primarily serve as grassroots regimes that regulate communal order, align social organisations and deliver the core and residual tasks of urban authorities. Through the interplay of coercion and exchange, JCs have preserved a coercive force to enable the sensitive handling of daily disputes and to provide an orderly environment for their rental businesses. Additionally, they function as shareholding companies to differentiate the provision of public goods and welfare services among different social groups. These activities consolidate a web of social networks that connect the rural migrants, who are tenants, workers or consumers, with the native villagers, who are landlords, owners or service providers.

Although the JCs have established cohesive networks in the migrant enclaves, they have also reinforced socio-political inequality between the income-earning tenants and the dividend-earning landlords. This scenario inevitably leads one to ponder whether the JCs are practising a form of clientelism or whether these collaborative mechanisms are reinforcing the authoritarian state rather than empowering the grassroots society.<sup>282</sup> I argue that these non-state agencies are indeed an intermediary between the party-state and grassroots society that contemplates urban contestation and public goods provision but restrains the emergence of civil society. In this regard, China's migrant enclaves are integrated into the formal cities and prevented from collapsing into social decay and political anarchy as their third-world counterparts often do. Yet the boundary of contestation is ambiguous, and the availability of goods is varied; moreover, the eligibility to negotiate and to be discharged from coercion overrides concerns regarding due process

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<sup>282</sup> Cf. Ho and Edmonds, 2007; Heberer and Gel, 2011; Lee and Zhang, 2013.

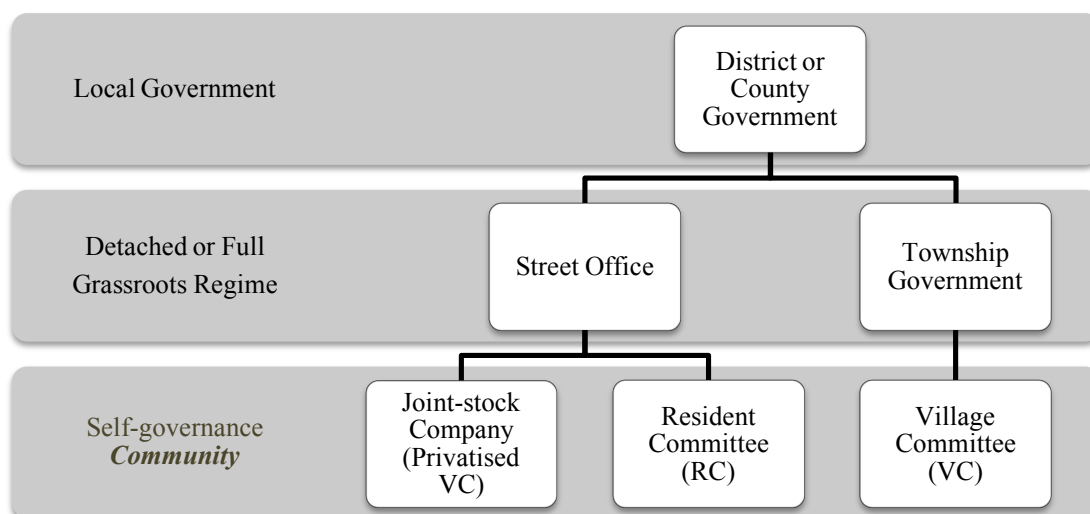
and rightful entitlements.

In the following, I will first identify an intermediate political realm at the grassroots level that thrives under authoritarianism and marketisation. The institutional foundation for its existence is discussed alongside the political economy with respect to its resilience. Second, I will examine the mechanisms for providing public goods in urban villages and emphasise why these goods and services are available, which agencies account for their production and delivery, and how they reinforce the embedded power relationships at the grassroots level. Throughout the chapter, I explore how collaborative mechanisms are a form of commercialised politics that both govern the migrant enclaves through less coercive or predatory means and contest the boundaries between the state and civil society.

## INTERMEDIARY REALM AND MIGRANT GOVERNANCE

China's constitution (1982) refers to its lowest level of urban administration as the "grassroots regime" (*jiceng zhengquan*). Other pseudo-state or non-state agencies beneath this administrative division, although receiving government resources or being tied with the local state, are considered a self-governing "community" (*shequ*). Figure 5 illustrates the hierarchical relationships as well as the exclusive realm possessed by institutions and agencies at the local and grassroots level.

**Figure 5 Hierarchy of China's Local State Apparatuses**



First, city districts are the urban equivalent of county governments, which include a full range of departments and bureaus in their jurisdictions. Second, street offices (*jiedao banshichu*) are the urban equivalent of township governments, which enjoy relative limited authority and resources but arguably bear diverse expectations and additional responsibilities. Third, the lowest level of state agencies shares the responsibility of interacting with self-governing agencies, including resident committee (RC) in cities and village committees (VC) in the countryside. Subjected to urban sprawl and administrative reclassification, many villages have been absorbed into the jurisdiction of cities, thereby producing the third type of hybrid agency, the JCs. Although the literature reveals growing interest in grassroots politics and community governance, the enclosed realm and the extensive roles of JCs have not been fully recognised.<sup>283</sup>

### ***Devolution of Power and Responsibilities***

This intermediate realm has a historical-institutional foundation, and its expanded roles are reinforced by the market reforms. First, the grassroots regimes have long been more developed in rural areas. The people's communes or production teams in Mao's era were comprehensive grassroots agencies that made major decisions regarding political mobilisation, economic production and social activities. With the thrift of TVEs from the 1980s to the mid-1990s, these units recaptured abundant resources and developed equally sophisticated internal structures.<sup>284</sup> Being resourceful and indispensable allowed them to possess bargaining power and share common interests with the county and township governments. By contrast, the street offices in urban areas are detached agencies of the district and prefecture governments whose manpower and networks have long been restrained. Although each street office is entitled to only 3 to 9 cadres and 20 to 25 office workers, its responsibilities are actually more complex than those of rural county offices.<sup>285</sup> The street offices must therefore rely on the JCs, RCs and social organisations to complete their tasks.

Why has this intermediate realm not been fully recognised? One main reason is that the literature tends to focus on the economic roles of TVEs in rural areas or the political-economic impetuses of the shareholding reform in coastal areas. Another reason relates to

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<sup>283</sup> See Bray, 2006; Heberer and Gel, 2011; Read, 2012; Tang, 2015.

<sup>284</sup> Naughton, 2007; 271-294; Huang, 2008:68-85.

<sup>285</sup> Shenzhen Civil Affairs Bureau, 2012; Interview, street office cadre, 11 August 2012.

the cover-up in the administrative structure in the sense that the formal structure does not reflect the actual distribution of power and responsibilities. In theory, the RCs and JCs are of equal rank and are demarcated under the jurisdiction of street offices. However, owing to the differences in land systems, demographics and resources, the JCs have always possessed greater autonomy and bargaining power than the RCs have.<sup>286</sup>

Certainly, the RCs are a dispatched governing unit that combines administrative officials appointed by the district governments and self-governing staff elected every three years among qualified residents. JCs, in contrast, are embedded in the private sector and grassroots society. However, two policy initiatives have generated the illusion that the state has substituted the enclosed realm of the JCs. In 2004, nearly all municipal governments in coastal China reclassified their RCs and JCs as “communities”, designating the latter as the only official grassroots regimes in the urban areas.<sup>287</sup> In 2010, the Shenzhen government, as in many coastal cities, incorporated its rural counties into the urban districts, which effectively nationalised all of the rural land in Shenzhen into urban land.<sup>288</sup>

However, although the nationalisation of land transformed land use rights, it did not transfer property rights concurrently. As discussed in Chapter 4, the JCs and native villagers have continued to own the buildings above the “land for housing”. Similarly, the community governance initiative has not assumed the power and roles of JCs. In fact, the majority of JCs in the Pearl River Delta have either duplicated the territorial jurisdiction of the RCs or shared personnel with them. Until 2001, the municipal governments allocated 20,000 *yuan* to each RC annually, which sufficed to employ only approximately 3 to 4 permanent cadres. In contrast, the more developed JCs spent around 15 to 20 million *yuan* in public facilities and services between 1992 and 2000.<sup>289</sup> Although the RC’s allowance has increased several times over the years, this level of appropriation and manpower cannot be compared with the resources of the JCs, which have continued to invest millions of *yuan* in the urban villages annually and employed hundreds of staff.<sup>290</sup>

Across the cities in Lingnan areas, including present-day Guangdong, Guangxi, Jiangxi

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<sup>286</sup> Cheng, 2014:28.

<sup>287</sup> Ministry of Civil Affairs, 2004.

<sup>288</sup> Zhong and Huang, 2013:55.

<sup>289</sup> Wang and Li, 2001:40.

<sup>290</sup> Interviews, chairmen of JC, Shenzhen, 14 and 15 March 2013.

and Fujian provinces, the JC is the *de facto* supervisor of the RC if we consider the source of funding and the fabric of jurisdiction. First, because of limited state appropriation, each RC must recruit additional contract staff to fulfil its wide range of responsibilities. The JC must regularly subsidise the RC's budget for those purposes.<sup>291</sup> By controlling the payroll, the JC has nurtured the collaborative but asymmetric relationships with the RC. Second, each urban village typically contains approximately 60,000 people, whereas each RC has a maximum population of 20,000; hence, each JC actually contains approximately 2 to 3 RCs. To enable coordinated policies and effective resolutions, the JCs often function as the first points of contact as well as the last resort in the urban villages. Figure 6 shows that the building of a JC has incorporated the office a RC, a phenomenon that has spread across all of the urban villages that we studied. This division between the legal institution and the enforcing agency resembles the classic “two units, same personnel” (*yitao banzi, liangkuai paizi*) structure, causing the realm and roles of the JC to be overlooked.



**Figure 6 The spatial cum political incorporation of the RC and the JC in *Shi* Village**

Why factors have sustained this intermediary in spite of the authoritarian context? The explanation lies in the contradictions in the course of administrative and fiscal decentralisation. First and foremost, the local state must absorb cheap labour to be competitive in the global market while alleviating migrant contestation for the sake of political stability. Additionally, the local state must solicit mandates based on urbanites' increased demands for a wide range of goods and services, although such efforts are

<sup>291</sup> Interview, chairmen of RC, Shenzhen, 17 August 2014.

restrained by the lack of authority and resources in the course of downscaling. In view of these contradictions, the urban governance system built upon *danwei* is considered obsolete. The devolution of responsibility to other intermediaries in the name of community governance has become necessary to fill the vacuum.<sup>292</sup>

However, the need to standardise spatial forms and population control was compromised by the lack of financial capacity and communal authority. Local governance reform is thus dire in sunbelt cities such as Shenzhen, where the *danwei* system was disbanded while contestation was ever increasing. In 2005, the Shenzhen government announced that local governance must shift from vertical command (*yitiao weizhu*) to horizontal coordination (*yikuai weizhu*). While the government established an Office of Population Control under its Reform and Development Commission to coordinate and oversee population control policies, it concurrently delegated the associated authority and responsibilities to street offices and communities.<sup>293</sup> The “government’s purchase of service” (*zhengfu goumai fuwu*) from the JCs and other social organisations is widely considered necessary to promote one-stop regulation and end-to-end service.<sup>294</sup>

Meanwhile, the dynamics faced by gated communities (*xiaoqu*) under RCs differ from those encountered in the migrant enclaves under JCs. Compared with the middle-class complex, whose residents are spatially and economically confined to the cities, the rural migrants in urban villages are always floating as a result of the *hukou* system and land system. The divergence in demographics and assimilation levels suggests that although the rural migrants’ demands for goods and services are relatively low, their contestations on public goods provision and towards social order may be greater. The JCs and service providers in urban villages are thus delegated with the responsibilities of governing and producing, with the former overriding the latter. In other words, the urban village is a semi-enclosed realm that contains certain features that are distinct from state-dominated community governance.

### ***Inclusiveness and Contestation in Urban Villages***

Figure 7 is a conceptual diagram that illustrates the ways in which an urban village is a

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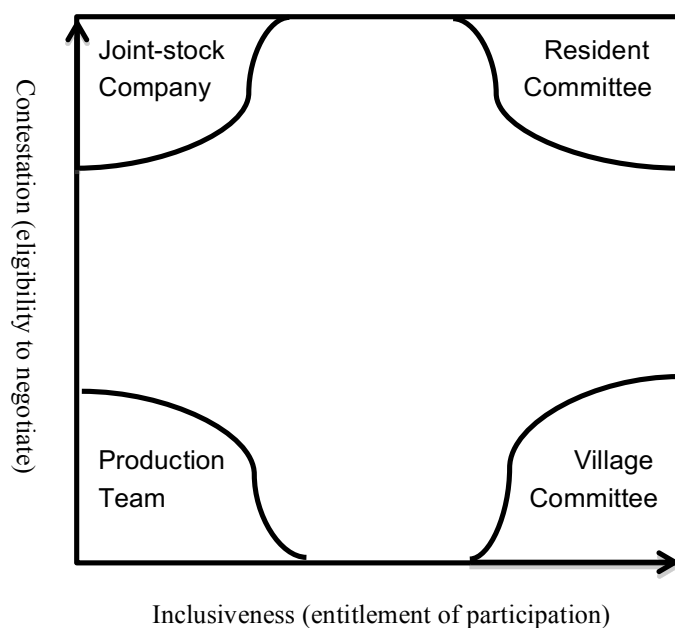
<sup>292</sup> Spire, 2011; Pieke, 2012.

<sup>293</sup> Shenzhen Government, 2005.

<sup>294</sup> Shenzhen Civil Affairs Bureau, 2012.

negotiated but exclusive community. The diagram's relationships are relative, and the RC is by no means an ideal type. The horizontal axis refers to the level of inclusiveness in an urban village. Inclusiveness is measured by 1) the entitlement to elect the JC leadership, 2) competitiveness during elections and 3) the effectiveness of influencing the JC's decision making. Despite the shareholding reform, each JC is required by law to hold regular elections to choose its leadership every 5 years, but the law neither specifies the criteria for shareholders nor regulates the procedure for transferring shares, thereby creating ambiguity in determining the electorates.<sup>295</sup> In our field sites, only native villagers, including approximately 800 households, are entitled to become shareholders and hence members of local electorates. To secure the exclusiveness of the community, spouses and offspring are not entitled to become shareholders. To ensure internal checks and balances, the JC management is responsible for daily operations that include maintaining order, collecting rent, developing service networks and executing activities, whereas the shareholders decide on collective issues such as land sales, state projects and ritual functions.

**Figure 7 Classification of China's Grassroots Regime**



This exclusive system interlocks communal authority and economic performance as the determining factors in the leadership contest. Once they are elected as the management of JC, local bosses use collective resources to satisfy their electorates and safeguard their loyalty. These service and communal networks eventually consolidate an enduring yet

<sup>295</sup> Shenzhen Urban Renewal Bureau, 2005; Shenzhen Urban Village Reconstruction Office, 2006.

accountable leadership. Three of the four JC chairmen whom we interviewed had held their positions since 1992, and two of them were former heads of VCs.<sup>296</sup> The stability in the pseudo-state agency then fosters the development of networks and trust with the street-level cadres, which is a precondition for the *de facto* political realm.

The vertical axis in Figure 7 refers to the degree of contestation in an urban village. Contestation is measured by 1) the amount of public contestation, 2) the eligibility to negotiate for public goods, and 3) the resilience of dispute resolutions. Despite largely being orderly enclaves, public contestations are not uncommon in urban villages. Through formal and informal channels, stakeholders including cadres, goods and service providers, landlords and tenants have frequently promoted their agendas and regularised their claims. Essentially, the state agenda includes a set of benchmarks for crime rates, family planning, population management and health and safety regulations, whereas social demands vary among construction advice, demolition compensation, regular patrol and cultural activities.

Contrary to popular expectations, the majority of inhabitants are eligible to express their discontent. Admittedly, the cadres, local bosses and native villagers, who are patrons and allies, have enjoyed privileged access to the grassroots regime. In contrast, rural migrants are not eligible to become the electorates of RC until 2012, and none of the surveyed urban villages have implemented the new national regulations or reached the interval to hold such an election. But the grievances of rural migrants who are tenants, workers or customers are not unattended despite of the absence of electoral machine and competition. The views of clan chiefs and migrant traders sometimes carry more weight than those of street offices and native villagers. This situation occurs not only because the relative mobility and business and service networks of clan chiefs and migrant entrepreneurs enhance their leverage in bargaining but also because contestation informs appropriate remedies that are ultimately conducive to local governance. Although the authority of pseudo- and non-state agencies comes from their state patrons, their utility to the state is vested in their ability to connect clients at the grassroots level.

This type of self-recognition is vital to explain the uncertainty that arises during public contestations. To be certain, distance from the state apparatuses and the strengthen of clan

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<sup>296</sup> Interviews, Shenzhen, 17-18 March 2012 and 28-30 September 2013.

networks have continued to nurture favouritism, in which the street-level cadres, local bosses and native villagers represent one end of a spectrum and the clan chiefs and rural migrants constitute the other end. However, if we consider what types of public goods are actually delivered as payoff and compensation, concentrated demands tend to override standardised and rigid benchmarks. Hence, although they represent different classes and identities in the enclaves, native villagers and rural migrants are not always the losers in the process of negotiating with the state apparatuses or its social extensions. The citizenship and associated entitlements for rural migrants are perpetually denied, although their grievances, if vividly raised, will be transmitted to and addressed by the non-state agencies. These dynamic ruling mechanisms reflect the trade-off between entitlement and eligibility, which is the embedded nature of grassroots regimes. The trades and power relations in the enclaves along with the conflict and inter-subjectivity of different social groupings will be addressed in Chapter 7.

## **THE COMMERCIALISATION OF GRASSROOTS POLITICS**

All of the JCs that we studied, regardless of their location and business model, have been committed to providing certain public goods that are essential to a community but that would not be available through the market because of the non-rivalrous and non-excludable nature of such goods. Although district governments and street offices have been expected to address typical market failures, they have lacked the will and resources to intervene. Even when such authorities have taken action, priority has been designated to public infrastructure in industrial zones and the laid-off urbanites left behind by SOEs. The JCs have thus recaptured the responsibility of public goods provision along with their production chains in the context of market failure and government retreat.

Certainly, the quality and quantity of public goods and the threshold to obtain them vary between the four urban villages. This variation can be explained by differences in wealth and demographics or structural factors and by variations in competence and authority or agency problems. These public goods are nonetheless available. According to an official survey, the 15 JCs in Futian district invested more than 800 million *yuan* to provide public infrastructure, water and sanitation systems, and public security facilities between 1992

and 2004.<sup>297</sup> Similar levels of public goods provision have been witnessed in our field sites in recent years. For instance, *Gong Village* spent 30 million *yuan* to construct a 500 metre square recreational facility in 2008, *Shi Village* invested more than 60 million *yuan* in the early 2010s to construct a cultural centre (Figure 8), *Shang Village* installed a total of 520 CCTV cameras along main roads and public facilities in 2010, and *Nong Village* joined hands with local governments to establish an art museum of 1.6 hectare in 2007.



**Figure 8 The collective-initiated and private-managed cultural centre**

Most importantly, each JC has established internal bureaus to align with respective social organisations to fulfil its responsibilities and to recruit powerful migrant clans to provide these goods and services. Although the local government occasionally provides matching grants for communal projects, these grants are far from sufficient to realise such goods, most of which are public goods whose consumption can scarcely be regulated and charged and are subject to heavy depreciation. In doing so, the JCs are consolidating their authority and networks in the enclaves and earning the trust and dependence of the state rather than being motivated by immediate monetary returns. Through these infrastructures and exchanges, the migrant enclaves have been integrated into the fabric of formal cities,

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<sup>297</sup> Interviews, village bosses and clan chiefs, 17 March 2012, and 21 September 2013.

enabling interactions between outsiders and insiders.

### ***Provision of Public Goods to All***

Undoubtedly, the urban villages resemble slums to the extent that both are indicators of poverty, overcrowding and deviant activities. Because nearly 90 per cent of the inhabitants of urban villages are rural migrants, migrant enclaves are inevitably a hotbed of poverty. Official data suggested that the household incomes in a dozen random urban villages accounted for only two-thirds of the average income in the city in the last decade.<sup>298</sup> However, these data might have slightly exaggerated the poverty level, as migrant traders and entrepreneurs tend to underreport their incomes. Furthermore, the data did not account for the wealth and dividends received from native villagers. In addition to poverty, many urban village apartments are also considered illegal structures. As noted in Chapter 4, these apartments violated the building and safety regulations established by urban authorities in an attempt to be competitive in the migrants' rental markets. As a result of the low income-earning capacity of rural migrants and the high turnover rate under back-and-forth migration, landlords had little incentive to decorate apartments. Most urban village apartments were thus rented without furnishings and without electronic appliances.

These features do not indicate that every urban village was a source of squalor or despair. On the contrary, the standard of living varied greatly between the *guanwai* pair and the *guannei* pair of urban villages and among different migrant groups. In most cases, the upper floors of urban village houses were rented to migrant workers to live in, and migrant entrepreneurs used the ground floors to conduct business. For the outskirts pair, the living environments are less congested because land contestation is relatively mild. *Gong* and *Nong* Villages, which are migrant worker residences, largely attracted individual practices and local brands. For the *guannei* pair of urban villages, global chains had either authorised retailers or opened stores directly to serve white-collar migrants and urbanites. Another indicator of the relative affluence of *Shi* and *Shang* Villages was the common problem of a lack of parking space caused by the inhabitants' ever-increasing car ownership and corresponding with the wealth of migrant entrepreneurs and white-collar migrants.

In addition, urban villages differ greatly from slums in terms of their spatial and physical

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<sup>298</sup> Calculated from Shenzhen Statistics Bureau, 2005-2014b.

form. Certainly, overcrowding is a serious and issue in urban villages. The buildings are so packed with each other that they were referred as “kissing building” (*jiewen lou*). This generates fire hazards, pollution and privacy concerns. While the structure may be jammed and illegal, the building materials are not necessarily primitive and unsafe (Figure 8). On the contrary, most apartments in Shenzhen’s urban villages were built with durable materials by professional construction teams. Each house normally contained a foundation, windows, glazed tiles and roofing, along with shared kitchens and bathrooms. The apartments were often rented to several migrants from the same kin or subleased by an agency working on behalf of landlords. Second, durable materials were used because the housing was not a one-off purchase commodity but rather a financial asset that could generate regular dividends. Precedents suggested that although unsafe and hazardous buildings had been demolished, illegal or unauthorised structures in excess of 480 m<sup>2</sup> or three storeys by regulation were discounted yet qualified for compensation during urban renewal. Relatively durable buildings would hence maximise the villagers’ claims for appropriate compensation. Third, because the affluent native villagers were once legally restricted and communally bonded to stay in their apartments, they had an incentive to maintain higher building standards. Finally, professional construction teams formed the service networks that aligned the JCs and powerful clans or the native villages and rural migrants, a subject that I will discuss later.



**Figure 9 Packed, illegal but durable “kissing buildings”**

Furthermore, the urban village also distinguished itself in terms of the availability of public amenities. Pathways, parks, parking spaces, street lighting, schools, clinics, electricity and water supply, and sanitation systems were preserved or guaranteed. First, water, electricity and regulated parking spaces were private goods made available to those who could afford them. Second, concrete pathways, road signs, street lighting, parks and sanitation systems are examples of pure public goods that, once provided, can be consumed by every individual, and one person's usage does not reduce availability to others, including local bosses, landlords, tenants and pedestrians. Third, education and medical services were excludable but non-rival club goods allocated to specific sectors of the communities. In general, scholarships were exclusively designated for native villagers, whereas clinical services were available to everyone at differentiated rates. Most schools were designated for the children of native villagers, but those that remained were open to everyone. For instance, the Teochew and Hakka clans, who have always been the largest commercial tenants and service providers in the *guannei* pair of urban villages, have enjoyed priority in the allocation and consumption of these club goods and services.

### ***Differentiation of Club Goods to a Few***

Elementary education, medical and sanitation services, and cultural and recreational activities constitute another type of public good that is primarily allocated and distributed by JCs. Because of these services' non-rivalrous but excludable nature, they are also referred to as club goods in which consumer differentiation applies. The most important club goods are medical services. At least three clinics operated in each urban village, and most of them are managed by medical doctors, invested in by private companies and native villagers, and monitored by the JCs' division of health. Such a division was typically led by a deputy JC chairman and was composed of several administrators and professionals. Other responsibilities included regulating family planning, reporting births and deaths, organising public health seminars, and adapting to changes in health policies.

Customer differentiation is also notable in the domain of public education. The grassroots agencies previously spent millions of *yuan* to construct and operate kindergartens and primary schools. Comprehensive city planning in Shenzhen in 1998 required every school to be built on state-owned land and monitored by the local education bureau, which effectively removed education from the companies' jurisdictions. As they obeyed the new

initiatives, the companies also negotiated with street offices to ensure that the schools were either relocated or built adjacent to their villages, which are entitled to native villagers' holding either rural or urban *hukou*. Meanwhile, wealthy companies further awarded one million yuan in scholarship funds to the descendants of native villagers to study at prestigious universities in China or overseas, hoping that talented students would return to run the companies and their businesses.

Furthermore, the JCs also organised cultural events on a regular basis and during holidays and festivals. Cultural activities can be costly, but the highest costs are always the costs of soliciting performers and venues. Through liaisons with party organs, street offices, and social organisations, celebrities, artists and dancers were recruited at discounted fees, or they performed on a *pro bono* basis. These negotiations were easy to accomplish for large urban villages whose united front value was obvious. Because the companies owned and administered the parks and halls, they either waived the rental fees or transferred the fees between different accounts. However, it was the potential political gain rather than the anticipated economic costs that motivated the companies to sponsor cultural activities:

Cultural activities have lots of benefits [*haochu*]. One is to create a sense of community. Variety shows, singing contests, health classes, and ritual programmes are regularly conducted to transcend the boundaries between different clans as well as between landlords and tenants. Another is to get in touch with the masses [*qunzhong*]. People feel more comfortable talking in relaxed, social occasions; communal reception towards new initiatives can thus be gauged. Meanwhile, cultural projects are highly visible. One can always justify the bills [to the government] when you are delivering public welfare and promoting social cohesion.<sup>299</sup>

Although the goods and services of the four urban villages vary, each village has specific teams and networks devoted to their provision and maintenance. The *guannei* pair of urban villages tended to excel in terms of quality and quantity compared with those in the outskirts. Of course, only the affluent urban villages could afford to provide comprehensive recreational and cultural facilities and financial awards. In *Shi* Village, an open-air cultural plaza the size of one football field was erected, and an underground car park sufficiently large to hold hundreds of cars was constructed beneath it. In *Shang* Village, tens of millions have been invested in education since the shareholding reform in 1992. Scholarship awards given to the descendants of native villagers to study at prestigious Chinese or overseas universities in 2013 totalled one million yuan. However,

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<sup>299</sup> Interviews, village boss, Shenzhen, 18 March 2012.

regardless of wealth and competence, none of the JCs has ever abandoned their ritual roles. According to the senior JC executives, nearly 90 per cent of the urban villages in Shenzhen have renovated or reinstalled their ancestral halls over the last decade.<sup>300</sup> Frequently, the new JC office buildings were erected next to the ancestral halls, and they are now among the most dedicated structures in each urban village. The annual ancestral ritual serves as both a communal festival and an economic forum at which new capital is attracted for renewal projects. In other words, the goods and rituals are provided not only to nurture social cohesion but also to reinforce the communal authority of the intermediaries.

## OUTSOURCING, COERCION AND ORDER

### *The Scale and Range of Orderliness*

Law and order are the basic public goods that not only indicate the reach and capacity of the pseudo-state agencies but also, as mentioned, are among the JCs' primary roles. Of course, prostitution, gambling and drugs (*huangdudu*) are not uncommon in our field sites: the prostitutes and concubines (*er nai*) of Shang Village were notorious in the city, and Nong Village once functioned as a resale outlet for crystal meth in the outskirts. According to official data, 44 per cent of the crimes in Shenzhen in 2004 occurred in urban villages, and more than 80 per cent of the suspects were rural migrants who lived in the villages.<sup>301</sup> Although these data suggest that the majority of criminals are rural migrants, they do not prove that migrant enclaves have a high concentration of crime. Given that more than 7 million people or nearly 50 per cent of the city's population reside in urban villages, the 44 per cent crime rate is disproportionately low. Since the introduction of community policing in 2005 and the installation of CCTV in some crime hotspots, the crime rate in urban villages has remained steady in recent years.<sup>302</sup>

Moreover, the nature of crimes has largely been petty thief rather than organised crime. Robbery, forcible seizure and larceny (*liangqiang yidao*) constituted 82 to 87 per cent of the crimes in various urban villages in Shenzhen between 2005 and 2012. Homicides have

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<sup>300</sup> *Shenzhen Commercial Daily* 22 April 2012; Interviews, village bosses, Shenzhen, 25 September 2013.

<sup>301</sup> Cited from Lau, 2010:64-65.

<sup>302</sup> Shenzhen Futian Community, 2004; Interviews, police officers, Shenzhen, 17-18 August 2012.

also remained at zero or in the single digits in each urban village.<sup>303</sup> Furthermore, native villagers' resistance during demolition and rural migrants' protests over arrears of wages often contribute to the crime rate. Finally, the lack of coercive force also augments offences. A deputy of a local police station told me that the police deployment in urban village communities is roughly two-thirds of that of modern gated communities. Substitution from communal and private security forces can maintain structural order but not prevent daily occurrences of robbery and assault. The aforementioned intensity and pattern of crimes largely align with the results obtained by my colleagues at Sun Yat-sen University in several urban villages in Guangzhou. Thus, although the spatial boundaries of migrant enclaves might be a hotbed for certain illegal or disapproved activities, their residents are not contemplating political anarchy or organised violence.

The popular perception of urban villages suggests otherwise for four reasons. First, the majority of crimes and contestations are related to rural migrants, who are regarded as alien subjects. However, as many migrant entrepreneurs and white-collars migrants revealed to me, they are often targeted as victims of crimes because of the relative affluence of their villages and of their personal wealth. This is particularly true for the *guannei* pair, which has motivated the JCs to install surveillance equipment and enabled the landlords to frame their enclaves as gated communities. Not only did this cause a higher rental prices, this also nurture the interplay of grassroots negotiation, a phenomenon that will be discussed later in chapter 6.

Second, the media and the authorities have stereotyped urban villages as dangerous places. For instance, from my reading of the tens of the articles in *Shenzhen Special Zone Herald* and *Southern Metropolitan Daily*, the two most widely circulated newspapers in the city, the negative framing of urban villages had not changed much before and after the master renewal plan in 2005. Overall, the majority of the reports or analyses assigned negative words such as criminal (*zui*), disorder (*luan*), dirty (*zhang*), substandard (*bu biao* *zhu*) to describe urban villages. It was only in recent years that relatively neutral phrases such as transitional (*guodu*), affordable ([*ke*] *fudan*) and accessible (*fangbian*) have occasionally been used to endorse the utility of urban villages apartments when large-scale demolitions were not as feasible and efficient as they were once proposed. That said, rather than

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<sup>303</sup> *Ibid.* See also Li, 2009.

reporting the disproportionate crime rate of 44 per cent, the media reported that 80 per cent of crimes were located in urban villages.<sup>304</sup> However, the reality is not that 80 per cent of the crimes were *concentrated in* urban villages but that 80 per cent of the crimes were committed by rural migrants who *lived in* the urban villages.

Third, urban villages tend to have higher crime rates because the police have always targeted migrant enclaves. In “strike-hard” (*yanda*) campaigns, the police would frequently devote their efforts to combatting crime in urban villages or deploying rural migrants who have criminal records to the rural counties.<sup>305</sup> Subsequently, they would sit back and claim that the crime rate had decreased significantly. In other words, urban villages as enclaves are not ideal, but in terms of order and stability, they are comparable with other gated communities in the city.

Fourth, the degree of orderliness is evidenced by the conduct of daily life and economic activities. During my stays at *Shi* and *Gong* Villages and my repeated visits to the four urban villages, it was safe to walk in the streets and to remain in parks in the evening and after midnight. I found plenty of elderly residents chatting, dancing or practising *taichi*, and the children were playing ball games unsupervised by their families. Expensive motor vehicles were often left on the streets. Urbanites are accustomed to passing through the urban villages as a shortcut. Moreover, many fast-food restaurants and convenience stores, including both domestic brands and foreign chains, operate 24 hours a day in the urban villages. Examples include Wal-Mart, Caffefour, 7-Eleven, FamilyMart, McDonalds, Yonghe King, and Zkungfu. Hundreds of chophouses, corner shops, saloons and hostels have also flourished to harvest new migrant entrepreneurs or the petty bourgeoisie. The presence of these large chains and small dealings along with their business models is evident that social order has been preserved in the migrant enclaves. In other words, although they are enclaves in terms of their distinct physical structure and demographics, they have been integrated into the fabric and logistics of the formal city.

### ***The Impetus for Restrained Orderliness***

Obviously, one could speculate that orderliness is largely regulated by the coercive state, whose primary concern is social stability. However, in reality, the police force is far from

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<sup>304</sup> *Weiwipao*, 21 October 2004; *Shenzhen Commercial Daily*, 29 November 2005.

<sup>305</sup> See chapter 6 for the discriminative treatments of rural migrants during mega-events.

sufficient in monitoring migrant contestations and regulating the enclaves. In Shenzhen's outskirts, there are an average of 140 police officers per 100 km<sup>2</sup>; in the city centre, the number is 160 per 100 km<sup>2</sup>. For instance, in 2005, Bo'an district had a total of 14,200 communal police officers and private security guards, most of whom were managed by street offices but subcontracted to JCs or outsourced by dispatch service providers.<sup>306</sup>

Aware of the increase in migrant contestations, the state and pseudo-state agencies have responded accordingly. Beginning in 2010, the JCs in the city-centre pair spent several million *yuan* to install and upgrade their CCTV in the urban villages. Although the *guanwai* pair of villages lacked the resources to introduce a high-tech surveillance system, they doubled their deployment of security guards in traffic arteries.<sup>307</sup> In 2014, Shenzhen established a new institution known as the municipal police substation (*zhixia paichusuo*), each comprising approximately 40 police officers attached to their respective urban villages. However, although the total number of police officers has increased, the ratio of formal police to communal police has remained steady. Likewise, the RCs in partnership of the JCs also expanded their recruitment of unemployed or retired old ladies (*dama*) to serve as communal patrol in the urban villages. I was indeed approached by these old ladies several times, who own the time to monitor the strangers and the gift to trivialise disputes. This appended a soft but alarming element in the stability maintenance machine. Both formal and informal coercive units are essential to explaining why China's migrant enclaves have not fallen into political anarchy or fallen under the control of gangs or clans, as is commonly observed in the slums and shantytowns in many developing countries. Instead, the JCs have formally subordinated themselves to the oversight of street offices while concurrently maintaining control over privatised coercive units in the migrant enclaves, paying their salaries and commanding their personnel.

Figure 10 shows the doorplates of the JCs in *Shi* and *Shang* Villages. The Chinese words literally mean joint-stock company and armed force division (*wuzhang bu*) and security brigade and civil military team, indicating that the non-state agency and its coercive force share the same office and line of command. This type of physical alignment signifies administrative hierarchy and enables effective deployment, a feature that is also observed in street offices but not in RCs. Common to the four urban villages, every JC has a division

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<sup>306</sup> Li, 2007:18.

<sup>307</sup> Fieldworks, Shenzhen, 17-23 March 2013.

of armed forces that is composed of a public security team (*bao'an dui*) and a collective security brigade (*lianfang dadui*). The public security team is responsible for managing ordinary public security, such as organising daily patrols, ensuring migrants' periodic registration with the police, mobilising neighbourhood watches, issuing parking tickets and collecting fines. Such teams have been deposed in times of emergency to combat organised crime and to monitor large-scale demolitions. Aligning with substation police, urban management enforcement units (*chengguan*) and family planning officers in RCs, these privatised or collective coercive units record births and deaths, regulate floating populations, promote hygienic conditions and organise seminars on public health. Assisted by CCTV and informants, this privatised coercive force is on call 24 hours a day and will be ready for combat in time of emergency.



**Figure 10 The synergy of JCs and collective security teams**

The standard size of the coercive force varied from 80 to 200 in our field sites. However, the regular personnel routinely underestimated the size and function of the coercive force. Over time, temporary personnel were recruited to monitor housing demolitions and manage large-scale contestations in the urban villages. The budget for the coercive force

primarily came from the management fees paid by tenants and by district appropriations. Revenue from land sales and rent from collectives was periodically drawn to finance this extemporaneous yet persistent expense. A deputy chairman of *Shang* Village explained the incentives for regulating order and differentiating the treatment of native villagers and rural migrants as follows:

Currently, the risky and nasty jobs will have to be handled by the temporarily employed security guards. Only the migrants are capable of handling the migrants, and only in this way could we fulfil the requirement of harmony [discourse]. Troublemakers must be taught a lesson. The villagers would not respect your authority if their requests for help were not properly addressed. How can we have the face to be greeted as chief and share a table with them in the ancestral hall? Chaos is not good for the rental business either.<sup>308</sup>



**Figure 11 Private security and community patrol**

Although some village bosses and clan chiefs were accused of concealing crimes, none of them brought anarchy to the enclaves by substituting for JCs or by excluding municipal intervention. A primary reason is that more organised migrant groups have been recruited by the JCs to serve as security guards, janitors, and construction workers. The Teochew and Hakka clans overwhelmingly serve as security guards in the *guannei* pair, as do the

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<sup>308</sup> Interview, village boss, Shenzhen, 24 September 2013.

Hunan and Jiangxi clans in the *guanwai* pair (Figure 12). This mechanism has not only absorbed organised contestations into the grassroots regimes but also consumed the clan networks to resolve daily disputes.



**Figure 12 A privatised entrance to migrant enclave**

The maintenance of a collective security brigade largely composed of native villagers or their friends has ensured that the JCs remain in control of their coercive forces despite the absorption mechanisms. A symbolic structure involves the installation and management of electric gates at different entrances of the urban villages (Figure 12). The logic behind all of these settings is illustrated in the following statement from a security chief: “Our main task is not to combat crimes but to absorb the contentious elements and to be connected with the organised few”.<sup>309</sup> These communal coercive units are fully aware of their limitations, such as the lack of training, equipment and power to combat crimes. Their priority is given to enhance surveillance and induce threat. When serious and organised crimes occur, these units are bypassed by public security and armed police. Although communal coercive forces enjoy certain exclusive jurisdictions, their relationships with the

<sup>309</sup> Interview, chief of collective security brigade, Shenzhen, 16 March 2013.

formal police are complementary. In other words, outsourcing has enabled the division of labour between the official and communal security forces and between the collective security brigade and private security team, thereby supporting day-to-day conveyance of coercion an integral part of grassroots governance.

## **CONTRADICTIONS BETWEEN LOCAL STATE AND GRASSROOTS REGIME**

What has motivated grassroots agencies to redress government retreat and market failure? Does the momentum of intermediaries signify a more dynamic and assertive civil society at the grassroots level? Since 2005, the party-state has propagated the idea of a service-oriented government that envisions productive collaboration (*xietong xiaoying*) between the state and society. Although this is a contingency of the decentralisation and privatisation measures in the 1990s and 2000s, it also signifies the transition towards a regulatory state. A wide range of public services and government functions are contracted out to private and non-state service providers, which are considered more cost-effective and adaptive to the needs of clients such as urban homeowners and floating populations. The objectives of providing these services are not only to meet changes in social expectations but also to alleviate public contestation. The ranking cadres of street offices and JC chairpersons whom we interviewed fully acknowledged the changing dynamics of local governance and their respective roles. However, what are the mechanisms that enable them to contract out their authority and services to intermediaries while simultaneously ensuring compliance and managing their conflicts? Has this seemingly ordered space sounded apolitical and evaded the real tensions and conflicts between different social groups or classes? I will address the first question in the following section and leave the second question for Chapter 7, when we assess inhabitants' interactions and perceptions of such social order.

### ***Negotiating the Boundary of Contestation***

Admittedly, the district governments seek to use regulatory frameworks and bureaucratic control to incorporate the pseudo-state agencies and social organisations. These strategies inform the intermediaries of the boundaries of contestation that have been established by the party-state without compromising the flexibility of daily operations. Establishing performance pledges and controlling funding sources are two frequently employed

strategies. First, formally introduced in the late 1990s, performance pledges have been rigorously applied since 2005, when Shenzhen competed for and then aimed to preserve the titles of “exemplary city” and “garden city”. Every village under a street office and every street office within a district were required to list their performance pledges at the beginning of the year and to be subsequently evaluated by the end of that year. Although the criteria and weighting vary slightly between districts and street offices, urban appearance (*shirong*) and social stability (*shehui wending*) have always been emphasised, and they have had a veto effect on overall performance rankings.<sup>310</sup> Specifically, the *guannei* pair of urban villages were motivated to maintain these titles to retain their vanguard status, whereas the *guanwai* pair were pressured to discard their chaotic image.

However, our observations and interviews suggested that the impetus for JCs to regularly invest hundreds of millions of *yuan* into the urban villages cannot be fully explained by bureaucratic control or direct pressure. On the contrary, the village bosses’ compliance is a function of how state recognition can serve to reinforce their communal authority and guarantee re-election. In village bosses’ offices, the numbers of official awards and pictures taken with ranking officials are often proportional to their length of service. Second, their compliance is better understood as an investment that can be cashed in when the performance pledge has been fulfilled or when their patrons have been promoted. As a JC deputy claimed, “compliance was caused by neither government pressure nor a sense of duty; rather, it was cultivated by bilateral trust in which long-term returns takes over immediate costs”.<sup>311</sup>

Although state funding is presumably used to monitor the JCs, its application and evaluation criteria reflect a sense of interdependence. In 2010, the more affluent districts of Luohu and Futian clearly specified the extent of the district governments’ financial support for the JCs: 1) the JCs submit their applications each October, and the district governments approve an earmarked fund (*zhuanxiang zijin*) accordingly; 2) district governments provide 100 per cent sponsorship only for water and electricity infrastructure; 3) the district governments and JCs share costs in the ratios of 40 to 60 or 49 to 51 to provide other public services such as cultural and recreational facilities, kindergartens and clinics,

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<sup>310</sup> Interview, street-office cadre, Shenzhen, 22 July 2013. See Yang et al. 2005, 76-77, 84-90 for similar assessment criteria on city management in Hangzhou.

<sup>311</sup> Interviews, local boss, Shenzhen, 15 May 2013.

pathways and parking spaces, and public security amenities; and 4) a feasibility plan is required only for funding in excess of 3 million *yuan*.<sup>312</sup>

These ambiguous criteria suggest that the local governments need communal cooperation and resources from the JCs as much as the JCs need state authority and funding. In practice, the district governments and JCs have shared not only the budget but also the benefits of government projects. For example, in 2011, Luohu district spent 6.36 million *yuan* to conduct a water environment improvement project across several urban villages, and most of the components of the project were constructed by and managed by the JC subsidiaries. In 2012, Bao'an district allocated 7.21 million *yuan* to construct a green belt of 600 m<sup>2</sup>, dividing the project between an SOE and a JC.<sup>313</sup>

### ***Muddling through the Contingency of Contestation***

To fully appreciate the dynamics of grassroots negotiation, it is necessary to examine the process of dispute resolution in which the state and pseudo-state agencies interact. Along with the community governance initiative, a series of rationalisation projects has interdicted some domains of the JCs in terms of standardisation, cleanliness and orderliness. Public goods related to urban management, public health and education have gradually been municipalised. However, two salient events in Shenzhen illustrate that the collaborative mechanism relies on contingent cooperation in operations to minimise overt contention and the use of coercion.

In 2010–2011, the municipal authority aimed to regulate illegal structures to make the city more presentable during the Summer Universiade Games. Aware of this policy, the native villagers built as many storeys as they could and as far as possible. The police and *chengguan* responded by guarding and blocking the entrances of various urban villages. However, their actions ultimately had little effect, as the landlords and construction teams bypassed the checkpoints and smuggled in the building materials at midnight or dawn. Worried about provoking mass incidents, the authority did not adopt coercive measures. A compromise was reached between the local government and native villagers through the intervention of the JCs. While the native villagers received permission to build one or two additional floors, the JCs and district governments shared the bill for adding rooftops and

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<sup>312</sup> Shenzhen Futian District Government, 2010; Shenzhen Luohu District Government, 2010

<sup>313</sup> Interviews, 24 and 25 September 2013; Shenzhen Luohu Audit Report, 2013.

standardising the colours of urban village buildings adjacent to the main avenues. Figure 13 shows the renovated urban village buildings that, if viewed at a driving speed of 90 km<sup>2</sup>, appear similar to middle-class gated communities, which is the physical evidence of the outcome of the grassroots negotiation.<sup>314</sup>

The outcome was that the local officials fulfilled their standardisation tasks, the JCs and their clients obtained a construction contract, and the migrants obtained jobs. The contractual arrangements contain subtler variations that reflect the status of different JCs. For the *guannei* pair, private providers or government subsidiaries that could deliver professional services at a reduced price won the contracts. For the *guanwai* pair, large migrant clans or the construction teams of JCs often monopolised the project contracts. Because of the sudden increase in the supply of apartments and the increase in jobs, many rural migrants either paid lower rents or were recruited. Thus, despite the emergence of the most comprehensive rationalisation project, the grassroots collaboration has ensured that nearly *everyone* has received a certain amount of payoffs for the time being.



**Figure 13 Standardized building outlook admitting illegal structure**

Another example concerns the regulation of public health services. In 2011, a China Network Television programme revealed that China consumed as many as 10.4 billion

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<sup>314</sup> Shenzhen Urban Renewal Office 2006; *Southern Weekly*, 11 May 2011; Interviews, Shenzhen, 13 August 2012.

bottles of intravenous fluids in 2009, averaging 8 bottles per person, exceeding the world average of 2.5 to 3.3 bottles per person.<sup>315</sup> The *People's Daily* simultaneously investigated the issue and accused local clinics of inadequate public health knowledge and irresponsible prescription as the reasons for this excessive consumption.<sup>316</sup> As the issue emerged on a national level, the municipal government was forced to take action. Street offices immediately organised sessions to teach “the risk of intravenous infusion”, the JCs and RCs attracted new pharmacies in the urban villages to substitute infusions with generic drugs, and each clinic was required to monitor and record changes in consumption for regular inspection.<sup>317</sup>

These procedures illustrate the state's adaptations in response to social issues, but the overall results were complicated. Native villagers and white-collar migrants were addicted to the infusions and other expensive treatments, regarding them as a swift healing method, whereas blue-collar rural migrants typically preferred generic drugs to infusion treatments because the former were less costly in terms of money and time. Recognising the complexity of these issues, the JCs and RCs implemented the official policy selectively. The JCs and RCs provided rent discounts to attract new pharmacies to trade drugs for infusions, and they constructed two new clinics that decreased the average levels of infusions. As such, although the average number of infusions per clinic decreased in our field sites, the total consumption largely remained *constant*, as the reductions primarily resulted from the construction of new clinics and the substitution effects of new pharmacies. Indeed, the infusion treatment areas in our field sites were always full of patients; they were so crowded that some patients receiving intravenous injections were forced to sit outside of the clinics or forced to receive the treatments in their own apartments.<sup>318</sup> The intervention of intermediaries thus diffused the consumption of medical services, complying with state initiatives while balancing the interests of the inhabitants.

### ***Intermediaries and social resilience***

In short, the mechanisms of local governance reflect resilient authoritarianism and state corporatism in several ways. The findings indicate the existence of an intermediate realm in China's sunbelt that is neither a tool of the state nor the creation of society. Second, the

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<sup>315</sup> China Network Television, 6 Jan 2011.

<sup>316</sup> *People's Daily*, 7 Jan 2011.

<sup>317</sup> Fieldworks, Shenzhen, 11-18 August 2012.

<sup>318</sup> Fieldworks, Shenzhen, 21-30 September 2013.

pseudo-state and non-state agencies in this realm, including the JCs, goods and service providers and social organisations, govern the enclave via less coercive, less predatory means. These institutions bargain with the state for “collective interests” to preserve their communal authority or private business. More importantly, these intermediaries contest the boundaries and functions between state and civil society, as they are engaging but not civil, resourceful but not independent, and exclusive rather than inclusive.

Although many village bosses can be regarded as local bosses who have dominated the JCs since Mao’s era, their control over the companies is seldom a proxy for wealth or coercion. Instead, these chiefs must possess the talent and networks to serve the interests of their shareholders, to manage migrant contestations and to combine forces with the urban authorities; hence, although their power may be inherited, their mandate must be earned. Moreover, the JCs and other intermediaries are arguably extensions of the state, but they are also embedded in the grassroots society. This exclusive political realm has been preserved because of the transition of government status and governance priority in the course of market reforms. Obviously, their survival and thrift cannot be detached from the resources and authority of the state, yet they also own their exclusive networks and mandates, demonstrating the resilience of the grassroots agencies and actors.

Thus, these mechanisms of control and exchange have ensured that the migrant enclaves are governed and substituted by pseudo-state actors whose authority will not challenge the state, regardless of how powerful these actors are. Although the rural migrants have the right to a certain degree of public contestation, only the JCs and native villagers are entitled to be represented in and to govern the migrant enclaves, which I referred to as the embeddedness of trading entitlement for eligibility. Do these collaborative mechanisms merely reinforce and advance the party-state, or do they contingently defend and empower the grassroots society? I will further address this question in the next two chapters by referring to the challenges towards the grassroots détente in the course of urban renewal and by exploring the subjective experience of native villagers and rural migrants.

## 6. Urban Renewal, Brokerage and Soft Enclaves

### INTRODUCTION

This chapter examines the changing pattern of grassroots state-society relations in the urban renewal context. It first examines the impetus for Shenzhen's government to demolish migrant enclaves and their intermediaries, which previously served to assist in some of the local state's political and social functions. The chapter then explains the payoff and patronage mechanisms under which JCs chose to engage in brokerage despite knowing that urban renewal would eventually deprive them of their space and their quality of life. Finally, the differentiated responses between certain native villagers and rural migrants, who adopt protest and exit strategies, respectively, are analysed. The interplay between socialist institutions and capitalist logic is emphasised as strongly as the dynamics of grassroots negotiations.

After decades of reform, China's municipal governments have increasingly treated urban planning as identical to the realisation of the exchange in the value of land on the market.<sup>319</sup> Once the property market had been transformed into an indispensable growth engine, municipal governments' bargaining power increased accordingly. Shenzhen's urban renewal projects depend on the notion of being a vanguard city (*xianfeng chengshi*).<sup>320</sup> Orderliness, cleanliness, efficiency and sustainability are identified both as essential components of Shenzhen's identity and as prerequisites of maintaining its status as a vanguard city. In the midst of such modern developments, the urban village is regarded as economically ineffective, aesthetically undesirable, spatially incongruous and politically incorrect.

More specifically, urban villages are portrayed as the "other" and have been identified as targets for elimination because they are considered not only the roots of urban decay but also a waste of land-use value and a symbol of backwardness.<sup>321</sup> This rationalisation process has thrived through the co-optation of JCs, which assisted *chenguagn* and public security to enforce city regulations and brokered urban renewal projects on behalf of local

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<sup>319</sup> Hsing, 2010: 47-50.

<sup>320</sup> Chen, 2011; Cartier, 2002.

<sup>321</sup> Huang et al., 2010: chapters 3 and 6.

authorities and private developers. The aforementioned grassroots alliance among the local state, intermediary agencies, native villagers and migrant tenants has become fragmented in the face of redevelopment potentials and payoffs. Various macro-strategies and micro-tactics involved in the process of brokerage are examined, revealing the informality of these negotiations in the context of a fading grassroots alliance and a rational urban-planning regime.

I argue that the elimination of urban villages and the rise of highly rational planning have enjoyed institutional and analytical support. With the advent of industrial upgrading and modern zoning, intermediaries have aligned to discourage migrants and the poor from inhabiting the area. This result would have fuelled on-going instability in the grassroots alliance if the land and *hukou* systems discussed in Chapters 3 and 4, respectively, had not offered exit strategies and nurtured disenfranchisement. Consequently, China's migrant enclaves are under government control but are *soft* in the sense that the majority of migrant enclaves are fragile compared with the anarchic but longstanding slums in the developing world; but a few enclaves are quite resilient as a result of the brokerages by consolidated intermediaries.<sup>322</sup> These trajectories reveal as much about the socialist foundations of adaptive governance as its patterned manifestations during capital accumulation.

## IMPETUS FOR URBAN RENEWAL

“Buy land, they’re not making any more of it,” said Mark Twain. However, the problem in contemporary China is not merely the lack of land *per se* but its immense contestation and redistribution in developed areas, especially within megacities. The questions of whom the land should be taken from and for what purpose are also disputed. Certainly, after decades of economic reforms, megacities have become the engine of economic growth and a hub for land contestation. Between 2003 and 2012, the commodity housing sector in China's first-tier cities (*yixianchengshi*) – Beijing, Shanghai, Guangzhou and Shenzhen – grew at a rate of 27.7 per cent per year, whereas China's nominal GDP grew at 14.2 per cent in the same period.<sup>323</sup> The expanding urban middle class also demands a variety of public amenities, communal services and features of cosmopolitan life, all of which require

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<sup>322</sup> Cf. Davis, 2006; Fischer et al., 2014.

<sup>323</sup> China Academy of Social Sciences, 2013:16; NBS, 2013.

land.<sup>324</sup> To coordinate urban development and articulate new public demands, large municipalities have negotiated a greater degree of autonomy from the central government, which has infringed on the jurisdiction of county governments. Administrative willpower and socioeconomic forces have resulted in a regulatory but monopolistic urban planning administration.

### ***Regulating Land Resources***

Compared with the neoliberal Jiang-Zhu administration (1992-2002), the Hu-Wen administration (2003-2013) was initially more regulative in style. Between 2003 and 2013, the central government issued at least 43 macroeconomic adjustment policies to regulate the price of commodity housing. In addition to adjusting interest rates, limiting credit for property developers and controlling mortgages for second homebuyers, it was considered vital to control land supply and land transfers. Accordingly, 70 per cent of the 6,866 development zones nationwide, most located in the peri-urban areas, were abolished in 2004, and their 24,900 square kilometres of land were confiscated by the state – an example of early reform strategies.<sup>325</sup> Since then, land conversion and transfers within city centres have been heavily monitored, requiring the approval of traffic, environmental and sustainability assessors. However, despite the policies of macroeconomic contraction, the commodity housing market in first- and second-tier cities has continued to grow rapidly, and real estate gambling ultimately peaked under the Hu-Wen regime. Similarly, the majority of confiscated land in peri-urban areas was used by the local government to develop other megaprojects. What motivated and enabled the urban authorities to respond to these centralised regulations? How have they affected urban villages and the living space of rural migrants?

Specifically, the impetus to redevelop Shenzhen is driven by both anxiety and bottlenecking issues. The municipality is said to have been trapped fighting a two-front war: the tendency of global capital to converge in areas with lower production costs and the changing preference of central government policies to develop the Yangtze River Delta, Bohai Bay Rim and inner provinces.<sup>326</sup> Some SOEs have begun to relocate their headquarters; consequently, factory chains and transnational corporations no longer

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<sup>324</sup> Zhang, 2010.

<sup>325</sup> *China Daily*, 24 August 2004.

<sup>326</sup> Interview, government official, 28 July 2013.

consider Shenzhen the most viable landing zone in China. Reducing production costs and improving efficiency cannot fully address such structural challenges. Instead, the Shenzhen government decided that it needed to grow as a leader in extensive economic modes (*cufangshi jingji*).<sup>327</sup> One scheme involved developing the property market and its construction business as an alternate source of growth. Another method involved building a “cosmopolitan garden city” – a city distinguished from its fellow competitors and therefore conducive to nurturing a sense of belonging among its residents.<sup>328</sup>

Waves of property growth have followed, producing new spatial forms ranging from global financial centres, skyscrapers, cultural centres and technological zones to shopping malls, suburban villas, university towns and public housing districts. These projects provided job opportunities and improved basic infrastructure as well as mirrored global aesthetic aspirations and metropolitan life. Rural migrants and urban villages, both vital to production for an export-oriented economy, either are increasingly marginalised during an industrial upgrade or become incongruous with the metropolis’s identity.

### ***Re-centralising Urban Planning Administration***

Taking advantage of regulation initiatives, large municipalities have infringed on the jurisdiction of county governments. For instance, Shanghai had had nine rural counties in 1991; by 2005, only one remained – the others had been transformed into urban districts. Beijing’s eight rural counties in 1996 were reduced to two, and most were incorporated into enlarged urban districts. Similarly, in 2010, the Shenzhen municipal government absorbed its outer counties into one jurisdiction composed of ten urban districts. Although this change was tabled to offer open government and effective regulation, it was primarily aimed at legalising the unwarranted conscription of rural lands and urban village redevelopment.<sup>329</sup> In 2013, Shenzhen government’s No. 1 Document declared that all land in the municipality, including that of the *danwei* and collectives, would be available for sale.<sup>330</sup> This policy transferred and aligned land ownership and land use rights to the city government, thereby uniting the primary and secondary land markets. This effectively abolished the dual land tenure system and magnified the scope and capacity of the urban planning regime.

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<sup>327</sup> Li and Li, 2012.

<sup>328</sup> Shenzhen Urban Planning, Land and Resources Commission, 2011.

<sup>329</sup> Chen, 2011: 29.

<sup>330</sup> Shenzhen Government, 2013.

On par with this administrative re-centralisation was the reorganisation of large municipalities' urban planning, property management and land resources bureaus into one unified apparatus. Before 2006, the Ministry of Land and Resources and the Ministry of Construction had different, often contrasting responsibilities and managed their own subdivisions. One directed the conservation of farmland and controlled land conversion, whereas the other was responsible for drafting growth plans and requisitioning land.<sup>331</sup> Differences in vertical *xitong* command and bureaucratic interests created persistent tensions. Reorganisation not only minimised internal conflicts and addressed inconsistent policies but also produced a state grant commission. Shortly after its formation, the Shenzhen Urban Planning, Land and Resources Commission published a blueprint entitled *Transition Planning Guiding Urban Transition* to establish its comprehensive, visionary urban future.<sup>332</sup> This rationalisation process can be summarised by the new planning administration's synthesis and re-evaluation of three master plans, each approaching a more ambitious agenda and monopolistic planning.

In the first Shenzhen Urban Master Plan (1986-2000), the city was expected to “develop an export-oriented industry and commercial centres, complemented by tourism and real estate development”. Although the new planning administration recognised that dualistic development “laid down the foundation for urban space and development”, it was criticised as overlooking the “dual contradictions between the city proper and rural areas”, with the latter considered unregulated and chaotic.<sup>333</sup> The second Shenzhen Urban Master Plan (1996-2010) aimed to redress the shortcomings of the previous plan by focusing on spatial rearrangement and complementary zoning. Once again, however, the “lower planning hierarchy” and the “huge influx of cheap labour under the labour-intensive industry” were considered problematic. Shenzhen's structural disadvantage – its export-oriented economy – was held accountable for the city's planning flaws.<sup>334</sup> The third Shenzhen Urban Master Plan (2006-2020) emphasised the need for a breakthrough in Shenzhen's urban future to make it “efficient, global, secure, harmonious and sustainable”. The realisation of this vision relied on “deliberative planning and resolute and expeditious

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<sup>331</sup> Hsing, 2010:51.

<sup>332</sup> Shenzhen Government, 2009.

<sup>333</sup> Shenzhen Urban Planning, Land and Resources Commission, 2011: 9-10

<sup>334</sup> *Ibid*, 2011: 12-13.

enforcements”.<sup>335</sup>

A confident and powerful planning administration that accepts the need for *mastery* of the environment to address urban sprawl and consumption growth has emerged. Central to this modernist doctrine is the use of functional zoning and megaprojects to promote the desired urban space and aesthetic values that help shape urban dwellers’ relationships with each other, the state and nature. Multifunctional terminals, spacious public squares, and blocks of apartments with efficient public transport systems on a monumental scale are expected to constitute the modern city, replacing the twisted, disordered and crowded physical environment inherited from the past.<sup>336</sup> Once the urban space has been carved into multiple single-purposed zones, it becomes both cost-effective and easy to govern. James Scott argues that the overall aim of such high modernism is to replace a city of history with a city of science in which social order is defined by architectural order.<sup>337</sup>

Urban villages have become the primary targets of elimination not only because they nurtured crimes and poverty but also because they represented land-use inefficiency and a sense of backwardness. In 2005, the Shenzhen government approved a master plan for urban village redevelopment that suggested demolishing as many as 8.9 square kilometres or approximately 10 per cent of the municipality’s urban villages over a five-year period.<sup>338</sup> Dachong Village in the Nanshan district was a prime target, involving an area of 0.684 square kilometres, the relocation of more than 70,000 people, and a budget of 20 billion *yuan*. That project adopted a government-led model in which the government completed its acquisition and demolition and then auctioned the land to SOEs. In contrast, the redevelopment of Xiasha Village in the Futian district adopted a market-led model in which developers allocated shares to JCs in exchange for the latter’s land-use rights and cooperation.<sup>339</sup>

In 2013, the Shenzhen government announced that it would invest 33 billion *yuan* over two years to redevelop 28 urban villages totalling 5.91 square kilometres.<sup>340</sup> To coordinate the land requisition, credit arrangements and marketing strategies, the government advocated a

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<sup>335</sup> *Ibid*, 2011: contents.

<sup>336</sup> Barnett, 2011: 22-24.

<sup>337</sup> Scott, 1998: 104.

<sup>338</sup> Shenzhen Urban Renewal Bureau, 2005:5.

<sup>339</sup> Fieldwork, Shenzhen, 15 March 2013.

<sup>340</sup> *Shenzhen Municipal Herald*, 10 April 2013.

state-business partnership model. The impetus for escalating the pace of urban renewal can be summarised by a question articulated by a city planning official:

Every square metre of an urban village apartment demolished will result in city housing that is at least three times more modern, advanced and environmentally friendly. Tell me why we shouldn't do it.<sup>341</sup>

### ***Megaprojects and High-modernism Urbanism***

Shenzhen's government has executed countless megaprojects to promote the city's progress and justify increased fiscal spending. In the 2000s, the city spent billions of yuan to earn and preserve the title of a "world garden city". Beginning in the 2010s, Shenzhen's urban landscape was massively transformed by hosting the 2011 Summer Universiade Games. The Shenzhen government argued that that when Beijing, Shanghai and Guangzhou served as host cities of the Olympic Games, the World Expo and the Asian Games, respectively, Shenzhen was the only first-tier city left behind and thus deserved the opportunity to "promote its characteristics and charms to the nation and the world" and to "renovate the city's public infrastructure for industrial adjustment".<sup>342</sup>

These dual objectives dominated the megaproject's investment plan and management style, creating a discrepancy between budget costs and complementary spending. According to the Shenzhen Auditing Bureau, the total direct cost of organising the 2011 Summer Universiade was 13.99 billion *yuan*, whereas the total income from that event was only 1.22 billion *yuan*.<sup>343</sup> This figure has already discounted all the spending on public infrastructure and transportation, environmental and aesthetic improvements and city image promotion. One of the most expensive items on this list was the construction of metro spur lines linked to remotely located stadiums, extending the city's metro coverage from 22 km to 178 km. Other extraordinary projects include spending 4.88 billion *yuan* in Ba'an district for city appearance upgrades and 7.52 billion *yuan* for new stadiums.<sup>344</sup> If all these publicly funded items are included, the total cost amounts to 200 billion *yuan*, equalling 135 per cent of the city's annual revenue in 2011.<sup>345</sup> This figure was first released by a former auditor of the Games and was reported and verified by numerous

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<sup>341</sup> Interview, city planning official, Shenzhen, 27 April 2013.

<sup>342</sup> Shenzhen Government, 2004.

<sup>343</sup> Shenzhen Government Audit Bureau, 2012.

<sup>344</sup> Kanke, 2011.

<sup>345</sup> *Twenty-First Century Business Herald*, 12 Aug 2012; Shenzhen Government Annual Report, 2012.

media sources in mainland China and Hong Kong. Some sources even arrived at an estimation of 300 billion *yuan*. To provide a comparative context, the Beijing Olympic Games in 2008 and the Shanghai Expo in 2010 respectively cost 260 and 340 billion *yuan*, whereas the London Olympic Games in 2012 and the Aichi Expo in 2005 respectively cost 97 and 80 billion *yuan*.<sup>346</sup> In other words, although Shenzhen's budget exceeded that of the developed world, it did not deviate much from the national standard.

Surveillance and gentrification measures dovetailed with these megaprojects. To promote an image of orderliness and cleanliness, rural migrants and migrant enclaves were targeted for eradication. Immediately before the event, as many as 80,000 rural migrants – primarily unemployed migrants and ex-offenders – were deployed to their places of origin. Real-name registration was required to purchase and use a SIM card or to purchase a knife during the opening of the Games.<sup>347</sup> Many urban villages had also become targets of control. For instance, the number of CCTV cameras in *Shi* and *Shang* Villages mentioned earlier almost doubled, any villagers who agreed to sell their apartments within the redevelopment zone of *Nong* Village before late 2010 were given 80,000 *yuan* and a service award as an additional incentive, and the oil painting and graffiti at the entrance of *Gong* Village were cleared or demolished.<sup>348</sup> Hundreds of *chengguan* and police officers were also deployed in our field site villages to question pedestrians and enact obsolete regulations. Throughout the city, 500,000 communal patrol and social security volunteers were said to be enlisted during the Games, primarily with public funding.

Reports and interview records suggest that none of these measures were caused by creditable security threats; instead, they largely resulted from an obsession with displaying the best of Shenzhen that was magnified by the nervous reactions of local government apparatuses.<sup>349</sup> However, the enormous spending required to host the event damaged Shenzhen's fiscal status, transforming it from a surplus to a deficit for the first time since 1978. Competition with other metropolises through the mega-event certainly added vitality for city officials. However, monopolising or vending public contracts through patronage or bribery offered greater incentives, as indicated by the audit report, media reports and my

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<sup>346</sup> The figure of all the events included both direct and complimentary costs. They are verified by audit report, news reports and the estimates of responsible officials.

<sup>347</sup> *Xinhua*, 11 Apr 2011; Shenzhen Government, 2011.

<sup>348</sup> Fieldwork, Shenzhen, 15 March 2013; *Community Design*, 2006: 24-29.

<sup>349</sup> During the first organisational meeting for the Games, Shenzhen's former mayor insisted that "The Universiade must be organised as if it were the Olympics".

informants. With this sub-provincial city, such reckless spending would not earn many credits in the eyes of provincial and national superiors; indeed, the mayor and the former deputy mayor responsible for the event were immediately charged with corruption. However, these efforts also reflect the adherence to high modernisation and outsourcing practice of the city planning officials, who desire to build a world-class city as quickly as possible in the hope of realising milieus of mass dreams and personal emblems.<sup>350</sup>

Shenzhen's numerous megaprojects reflect the use of spatial form to order social relations. According to renowned planner Le Corbusier, architecture must be functional, machine-like, simple and capable of being mass produced. A visionary and harmonious city can be materialised only by those "who understand the science of urbanism". Once formulated, Le Corbusier insists, a planner's design must be implemented and "freed from pedestrian pressures and special interests".<sup>351</sup> The urban planning administration thus emphasises the requisite *neutrality* in enabling efficient spatial design and the introduction of technological progress. Although many modernist projects are scarcely realised, the ideas and methods of modernism have thrived along with global capitalism.<sup>352</sup> The scientific urban planning ethos remains powerful and illuminative in promising a utopian form of modernity that can be standardised and applied by recent developers, such as China.<sup>353</sup> Newly independent nations and transitional administrations are particularly vulnerable to the adoption of Western development benchmarks. The erection of grand structures has the advantage of visualising national progress and displaying a degree of modernisation.<sup>354</sup> Naturally, the beneficiaries of a megaproject are thus both national and international.

## ENTREPRENEURIAL AND PROTECTIVE BROKERS

The new urban planning administration has quickly and successfully reinvented an image of impartiality and professionalism, transcending the ambiguous roles of being both the participant and the regulator in local corporatism. However, informality and co-optation have continued to both influence the process of urban renewal and differentiate payoffs

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<sup>350</sup> Roy and Ong, 2012.

<sup>351</sup> Cited from Hall, 2002: 220, 225.

<sup>352</sup> Park et al., 2012.

<sup>353</sup> See Jacobs, 1996.

<sup>354</sup> Bishop et al., 2013; Prakash, 2008.

among stakeholders in urban villages. Regardless of whether the redevelopment model is government-led or market-led or whether it is a state-business partnership, the brokering role of intermediaries is essential, infiltrating nearly every stage of urban renewal, including consultation, requisitioning, demolition, construction and property management. By intermediaries, I refer to the SOEs and JCs that connect or represent government *xitong* and urban villages, respectively. The search for value-added industry has aligned these intermediaries with both local authorities and private developers. However, the most distinguishing features of China's urban renewal are not the coercive state or resourceful firms but the informality of co-optation among different segments of grassroots intermediaries.

### ***Co-optation among Different Intermediaries***

Emerging as the largest developers from Shenzhen's economic boom, the SOEs are the best prepared to compete in the urban renewal process. Not only were they connected to respective government *xitong* in the provincial and central governments, they also managed the majority of public amenities and transport networks in the city and owned small but valuable land or buildings interlocking various development zones.<sup>355</sup> In other words, the SOEs created a combination of financial resources and political networks. One prominent example concerns the Overseas China Town Group, a subsidiary of China's State-Owned Assets Supervision and Administration Commission. In the city centre, the group built and managed the largest electronic goods wholesale centre and the largest theme park in South China. In the outer districts, the group owned contracts to build highways connecting the city to other coastal cities and concurrently developed gated communities and modern villas adjacent to highway exits.

As of 2014, most land lease and redevelopment projects were determined by closed-door negotiations instead of an open bidding process. According to the municipality's urban renewal report, SOEs were chosen as the primary developers in three-quarters of the projects under the government-led model. They were also frequently approached by private developers as partners or secondary developers in the state-business partnership model.<sup>356</sup> This recognition of the roles of SOEs does not mean that they have monopolised urban redevelopment; indeed, the local government and SOEs have had disagreements over the

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<sup>355</sup> Wang et al., 2010.

<sup>356</sup> Li and Li, 2012: 427.

pace, scale and model of redevelopment. Whereas the local government aims to standardise its regulatory framework and discipline its grassroots agencies, the SOEs prefer to work with ambiguous policies and expand their territorial power. The result is collaboration by contingency.

In this regard, the JCs, as the *de facto* owners and rulers of large parcels of abundant and underdeveloped urban land, have leverage to negotiate. As mentioned in Chapter 4, each JC usually contains 20 to 40 per cent collective shares, suggesting that a significant proportion of apartments in urban villages are company property. These shareholders are legally prohibited from transferring their rural land shares, which are owned by the collective. Although a small number had transferred their rights to other native villagers, the number and parameter of stakeholders prepared for acquisition were controlled.<sup>357</sup> These stakeholders consolidated the veto power of JC, enough to block or accomplish any redevelopment deals.

Although the JCs recognised that they owned the most valuable assets, they also viewed urban renewal as an opportunity to enter the value-added service industry.<sup>358</sup> Hence, they agreed with the urban planning authority that informal migrant enclaves were neither economically sustainable nor aesthetically desirable. Sharing common interests or, more precisely, what are considered to be interests has motivated the state and intermediaries to collaborate and observe the boundaries of disputes. Negotiations can be lengthy and sometimes contentious, but they have rarely turned into violent conflicts that would jeopardise their mutual support. In the midst of the discourse of harmony and the supervision of the media, Shenzhen's government has repeatedly avoided conflict. The police and *chengguan* have retreated from the demolition option unless necessary to control mass unrest. The judiciary has also repeatedly rejected developers' appeal for a compulsory auction process despite the possibility that they may have already established a legal threshold; instead, they have depended on intermediaries.

The city government's renewal bureaus (*chongjian ju*) have since involved JCs in every

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<sup>357</sup> These transfers were conducted with bilateral contracts or green certificates issued by village collectives, both of which are pseudo-property rights certificates that are unauthorised but informally recognised by the municipal government. See Shin, 2009:2819.

<sup>358</sup> Interviews, clan chiefs, Shenzhen, 11 August 2012; Interviews, village bosses, Shenzhen, 24 and 25 September 2013.

stage of policy consultation, drafting and implementation. In extreme cases, the urban renewal offices of district governments moved into and shared the same office building with the JCs.<sup>359</sup> This situation arose in *Shang Village*, where I conducted several interviews with village bosses and city planning officials. Likewise, in most cases, the JCs coordinated the sale and negotiated prices on behalf of landlords. When the JCs were also partners of private developers, they would make an offer directly. Because they act as secondary developers, the JCs are delegated the authority to decide who should be awarded construction contracts. The fact that the network of chiefs and secondary labour contractors (*baogonftou*) was embedded in the urban villages has rendered the latter ideal client-service providers. Similar to other patron-client relationships, social ties are as important as economic efficiency in determining payoffs. The provision of urban renewal projects has thus reinforced the JCs' dependence on the local state and large migrant clans' reliance on the JCs, which, apart from protecting the enclaves, also supports the rentier class and makes urban renewal incredibly lengthy and expensive.

### ***Coordinated Macro-Policies***

To facilitate efficiency in the requisition and demolition of urban village apartments, numerous macro-policies have been implemented and adjusted. A ranking official in the municipal urban renewal office explained why the emphasis has gradually shifted from as quickly as possible to as safely as possible:

Speed was our top priority in the past; hence, we standardised policies to let the street-level agencies or private developers follow. But then we realised the costs of rigidity [*taiguifan*] and irregularity [*buguifan*]. Some landlords signed petitions, some took legal action, some appealed to CCTV, and some even blockaded our office. They were angry, and so were our bosses. Projects were often stopped despite full requisition. In the end, we let the professional brokers take the lead.

Simply put, the transition has occurred in multiple stages; it has moved from process oriented to outcome oriented, from formal to informal. Professional brokers such as JCs, RCs, clan chiefs and client contractors have been delegated the responsibilities and flexibility to make deals.

One result of grassroots coordination is the revision of redevelopment regulations. In 2012, the Shenzhen Urban Redevelopment Bureau tightened the regulations for initiating a

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<sup>359</sup> Futian District Renewal Bureau, 2009; Luohu District Renewal Bureau, 2011.

redevelopment project from the requisition of 80 per cent of property ownership in a proposed redevelopment zone to 90 per cent.<sup>360</sup> Although this harsh threshold was promoted as a way to protect individual property owners, it actually legitimised the sphere and role of the JCs and, at times, the RCs. Private developers could not complete a deal alone, and individual landlords could not ignore the advice of these intermediaries. During the redevelopment of *Shang* and *Nong* Villages, their JC offices were flooded with groups of landlords. Some explored the upper limit of compensation, and others formed alliances to negotiate. In addition to clarifying the policy, the redevelopment officers – who were either stationed in or patrolling the buildings – often convinced the landlords to take the deal. One village boss referred to this as “one-stop service”.<sup>361</sup>

Another major policy change was to adjust the compensation ratio for urban village apartments, including both certified and non-certified floor spaces.<sup>362</sup> To do so, the government relaxed its standard ratio across the municipality to a flexible ratio determined by local circumstances. In general, the location and size of the redevelopment zone, its ratio of certified space to non-certified space, and its estimated dividends are all important evaluation criteria. In 2012, the Futian district government offered villagers a compensation ratio of 1:0.86 (i.e., compensated space was equal to 86 per cent of demolished certified floor spaces in the redevelopment of Gangxia Village).<sup>363</sup> That ratio did not include non-certified floor spaces, which were compensated at 10 to 25 per cent although they were illegal structures. According to some provisional contracts, the actual compensation ratio was as high as 1:1 and 1:1.1 if non-certified floor space was included in the redevelopment of *Shang*. Hundreds of native villagers became millionaires overnight, and some large landlords obtained compensation as high as one hundred million *yuan*.<sup>364</sup> This handsome compensation greatly smoothed the redevelopment process and resulted in what one city-planning officer called a “win-win partnership”. Embedded in consequentialism, whether this amount of compensation is justified or whether the procedure is fair is of concern to neither the players nor the regulators.

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<sup>360</sup> Zhong and Huang, 2013:9.

<sup>361</sup> Interview, government official, Shenzhen, 12 May 2013.

<sup>362</sup> Wu and Custer, 2010: 1926.

<sup>363</sup> *Southern Weekly*, 17 August 2012.

<sup>364</sup> *Southern Weekly*, 4 February 2010.

However, in urban villages where redevelopment potential is high but JCs' political assets are insufficient, negotiation can be lengthy. Rapid and ever-increasing real estate prices in *Shang Village* had required six years to complete the redevelopment project. If the conditions are reversed, which occurred in the outskirts village of *Nong*, the redevelopment project would have been stunted since 2006. Contrary to popular expectations, the dynamics and outcome of the renewal project were not merely the result of state intervention. The authoritarian administration did not resort to coercion to demolish urban villages, nor did local corporatism motivate the landlords to modify their property rights. Instead, the JCs functioned as the focal point for negotiation and contention, informing and revealing the subsequent move of the state and society. Overall, the JCs attempted to reinforce the image that they were not merely tools of the state but also protective brokers of the privatised collectives.<sup>365</sup> When redevelopment or reconstruction was not a feasible option, the well-being of the landlords and tenants was tied to the general interests of the urban villages. A safe and governed enclave thus stabilised the rental value and monopolised the services in the villages, and also put the interventions from city apparatuses in check. From this perspective, the role of JCs has not changed much compared with the collectives in the pre-reform period; these companies have continued to serve as both producers and governors.

A combination of vested interests and path dependence has motivated the JC management to continue to take care of the interests of the native villagers who now form a distinguished and enormously enriched group of landowners. One reason is that although the physical space of urban villages was demolished, the shares of native villagers have been preserved. In most cases, JCs were allocated the ownership of several blocks of commercial and residential buildings in the newly developed zone. Their subsidiaries were sometimes recruited as property-management companies for the community or buildings. Furthermore, although urban villages were demolished, the JCs' renting and management businesses remained intact. Recognising that the native villagers lacked the expertise, knowledge and energy to act on and profit from other industries, the JCs aimed to negotiate deals that would enable the continuous flow of easy money. A deputy of *Shang Village* in charge of a redevelopment project referred to the trade-offs as enabling "a sustainable

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<sup>365</sup> See Duara, 1988: 42-43, 55-57.

future for the collective”.<sup>366</sup> From this perspective, the local state, private developers, JCs and their grassroots clients understand the others’ needs and constraints, according to which appropriate payoffs were allocated to purchase one another’s compliance. Their contentions are not intended to challenge the nature of the collaborative order but largely aim to inform the amount of payoffs.

### ***Diversified Micro-Management***

To accelerate the demolition process and to minimise public contestation, many micro-management tactics have been applied in our field sites. A JC chairman summarised the logistics of brokerage as follows:

No doubt the cadres are concerned about growth, but they are ultimately constrained by an official target [*zhibiao*]; our concern is to bring wealth to our community. Tension is sometimes inevitable. Whereas land is identical to money for development, land also means social ties to our villagers. Yet as long as we share the goal of prosperity, there is lots of room for compromise.<sup>367</sup>

Certainly, the authority, resources and manpower of the state, developers and migrant clans are structural features that affect how urban renewal is conducted. However, JCs’ priorities related to economic returns and social ties are often aimed at differentiated micro-management tactics. In urban villages where social ties and deliberation are considered vital functions of urban renewal negotiations, the following tactics are often employed. First, some JCs repeatedly call meetings to articulate shareholders’ general will and bottom line. New and often better deals are then presented to demonstrate both their effort and loyalty to the community. This consultative measure is aimed at soliciting collective pressure to influence individual decisions. Second, JCs’ companies encourage native villagers to resort to litigation if necessary. Standard legal procedures and precedents related to unfilled claims are often introduced to the plaintiffs. This legalistic absorption measure informs landlords about the cost of litigation and is quite effective in achieving last-minute deals. Third, some JCs or private developers have paid off protest leaders when confronting serious, organised resistance. This divide-and-conquer tactic created distrust among the landlord protestors, dissolving collective resistance and promoting individualistic outcry.<sup>368</sup>

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<sup>366</sup> Interview, village boss, Shenzhen, 10 October 2013.

<sup>367</sup> Interview, village boss, Shenzhen, 23 July 2013.

<sup>368</sup> Fieldworks, Shenzhen, 15-23 July 2013, 24-30 September 2013.

In villages in which economic returns and efficiency take precedence, the following tactics are employed. First, once the landlords or native villagers sign the agreement to transfer their land, the construction team immediately demolishes their buildings. This contingency strategy is aimed to preventing disputes with landlords following an increase in property prices. Second, some JCs redrew the original redevelopment site to exclude any landlords who refused to accept the third revised offer. This standardised precedent established a time limit on negotiations and informed the native villagers of the price of resistance.<sup>369</sup> Third, some JCs deliberately recruited temporary security guards to manage day-to-day work at the demolition sites. This practice of outsourcing not only accelerated the demolition process but also diffused the responsibility of the state and intermediaries to private service providers. However, the local authorities and JCs always discreetly monitor the entire demolition to enable a speedy response to any potential mass incidents.<sup>370</sup>

These complex measures indicate the autonomous decision-making of the JCs or their leaders in the face of a rational urban planning administration and resourceful private developers. Each urban village has employed more than one measure in response to different scenarios. However, the choice among measures largely mirrors the various urban villages' socioeconomic structures. One decisive factor is that media scrutiny tends to be more intense in outlying villages, partly because these villages have long been identified as sources of urban decay and partly because migrant clans in outlying areas are relatively independent and more contentious than their inner-city counterparts. Accordingly, contingency and coercive measures are adopted. Another reason is that property rights ownership is highly concentrated in inner-city urban villages; hence, the JCs can easily reach a deal when there is consensus among shareholders. Thus, consultative and absorption measures are preferred. Although the agendas of their contention vary, their methods and brokerage agency are similar. The JCs first explore the time limit set by the state and the compensation limit agreed to by the developers. They then deliberate with the landlords and solicit concessions for them. Sometimes the negotiations break down and more coercive measures are adopted. However, this back-and-forth practice indicates the embedded nature of informal politics in which the JCs articulate grassroots interests and absorb political pressure through contentious but contained action.<sup>371</sup>

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<sup>369</sup> Fieldworks, Shenzhen, 15-23 July 2013.

<sup>370</sup> Fieldworks, Shenzhen, 24-30 September 2013.

<sup>371</sup> Fieldworks, Shenzhen, 15-23 July 2013; 24-30 September 2013

## INDIVIDUALISTIC RESISTANCE AND COLLECTIVE COMPLIANCE

In the course of abrupt spatial changes, one may dispute the assumption that the relationships between village bosses and native villagers remain collaborative. Indeed, although JCs can serve as primary developers and property managers, individual landlords can trade their dividend-earning assets for compensation only once. Moreover, it is rational to expect resistance from rural migrants, whose living space in the city has been demolished. However, constrained by political institutions such as the *hukou* and land systems and informed by the precedents of state coercion, most stakeholders in urban villages have tended to practise individualised resistance and collective compliance rather than engaging in collective action.

### *The Precedents of Contention and Conformity*

Despite the sensitive and targeted tactics of the aforementioned dispute resolution, not all redevelopment projects underwent negotiation. Instead, various forms of contention were employed by the landlords and tenants. First, some native villagers resorted to litigation, either because they considered their grievances more personal and legitimate than others' grievances or because they were more comfortable contesting the state within established boundaries. However, the process and outcome of formal engagement were generally unsatisfactory. Litigation was often lengthy because the burden of proof always fell on the plaintiffs; the landlords could rarely justify their claims because the law was not designed to protect informal settlements. Indeed, most urban village apartments possessed only a certificate of "small property housing" prohibited from being traded in the market, thus making it difficult to determine the property's true market value. The illegal structure of urban village apartments also resulted in a relatively low compensation ratio when non-certified spaces were discounted.

Occasionally, native villagers realised that they needed to abandon individualised and legal actions. Some decided to use petitions (*xinfang*) to voice their discontent. In the half-demolished *Shang* Village, a group of native villagers established informal protest groups to submit petition letters collectively or to regularly visit the Municipal Bureau for Letters and Visits. Others invited the mass media to visit the demolition sites or to film their

everyday lives. None of these hard or soft actions resulted in any concrete responses or immediate policy changes. While they commonly referred to a discourse of “rightful resistance”, one must distinguish between land struggles by peasants losing land and defending their land rights for farming and rentiers owning land and demanding additional compensation for their property and illegal structure.<sup>372</sup>

I prefer to use the word “norm” rather than “law” to characterise the relatively informal dynamics of negotiations. Contentious actions have contested government policies or revealed malpractice, but they are always issue-based and have rarely diffused into greater political agenda such as fighting for citizenship or revealing the institutional sources of coercion, corruption and inequality. The landlords welcomed professional brokers or even spies from JCs and sometimes from RCs. Using a combination of pledges and threats to dissolve collective action, these brokers preferred informal, secret payoffs to avoid provoking similar action in the future. A professional activist who had assisted and organised similar collective actions emphasised the boundaries of resistance:

If you don’t make your case heard, no one will dare to comfort you, but if you speak too loudly, you give up your own protection. It is often not the high-profile activists that are risk but the committed followers. This is a long process of give and take; we must be patient.<sup>373</sup>



**Figure 14 Collective security brigade regulating contestation**

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<sup>372</sup> O’Brien and Li, 2006.

<sup>373</sup> Interview, social activist, Shenzhen, 12 January 2014.

Hence, the main purpose of contention is not to exercise rights but to find solutions. Although there is no evidence to suggest that policy changes regarding urban renewal are the direct results of such contention and compliance, they are nonetheless among the contributing factors. Similarly, a cadre of street office and a member of RC concurred that they are keen on practicing what is known as three “*wen*” principles: to apply appropriate actions (*wendang fangfa*), ensure balanced procedures (*wentuo buzhou*) and secure stable outcomes (*wending jieguo*).<sup>374</sup> Although the principles sound vague, the insiders have acknowledged the hidden rules. While negotiation is preferred to conflict, unstable elements must also be dealt with. Apart from the use of payoffs, another frequently adopted tactic is to deploy or imprison loyal participants but not protest leaders. This aims to generate sufficient threats to deter future and large-scale participation while avoiding the public attention of punishing the leaders, who always act as a vital point of contact.

Indeed, one can easily observe the alignment between the claims of serious protests and the direction of incremental reforms. For instance, not only did Shenzhen’s municipal compensation ratio for certified floor space increase from 1:0.7 to 1:0.8 from 2008 to 2012, but individual districts were also given the discretion to compensate the non-certified floor space.<sup>375</sup> The issue of whether the relocated native villagers and tenants with urban *hukou* ought to be given priority in choosing subsidised housing has also been discussed. All of these subjects were salient points of contention associated with the 2005 Renewal Plan (Figure 14). A middle-ranked official in the Shenzhen Urban Planning, Land and Resources Commission admitted that these grassroots actions were necessary. They led to better estimations of demolition schedules and compensation amounts and justified a larger budget for informal liaisons.<sup>376</sup>

### ***Dingzihu and the Disobedient Footing***

Whereas contained contention is the norm, transgressive contention is an anomaly. The dynamics of urban protests also validate Kevin O’Brien’s thesis that China’s contentious politics are “boundary-spanning” based on rural protests.<sup>377</sup> In extreme cases, some landlords saw “nail households” (*dingzihu*), referring to the few residents who refused to

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<sup>374</sup> Interview, street office cadre and RC member, Shenzhen, 18 and 19 February 2014.

<sup>375</sup> Shenzhen Government, 2013.

<sup>376</sup> Interview, government official, Shenzhen, 17 January 2014.

<sup>377</sup> O’Brien, 2003:53.

relocate to facilitate redevelopment. By occupying a physical space, these nail households disrupted the schedule of redevelopment projects or exposed bad practices by local authorities and private developers. Simultaneously, this form of personalised resistance has often solicited both media attention and public sympathy. Although nail households have for years typically been depicted by the mass media as victims of a coercive state or an inhumane planning regime, their causes are not always just.

The grievances and courage of those who speak out are often beyond doubt; they risk marginalisation from their own communities and retaliation from the authoritarian state. However, such contention was not clearly divided along the spectrum of state versus society, nor were the enemies of the state always motivated by passion and justified by valid claims. Instead, these protestors are as embedded in the mechanism of grassroots negotiation as professional brokers are. One common feature shared by many *dingzihu* in *Shi* and *Shang* Villages is that they are either Hong Kong residents or foreign nationals.<sup>378</sup> Their unique citizenship statuses allowed them the right to request assistance from state apparatuses such as the Overseas Chinese Affairs Office or the Hong Kong and Macau Affairs Office in the municipality. Whereas those *xitong* are certainly not committed to handling these appeals, they nonetheless are required to follow procedures and fulfil their function. When interdepartmental politics unfold, local authorities and developers have greater incentives to settle.<sup>379</sup> Therefore, what distinguished these *dingzihu* from other obedient landlords is not only wealth but also access to various state apparatuses that have propagated their grievances and solicited settlements.

The *dingzihu* also claim that they are deprived of the right to reside in their traditional communities. To illustrate the contrast between a nostalgic past and a materialistic present, the mass media was committed to thoroughly reporting their stories. Whereas certain indigenous communities might be justified in making such claims, urban villages, as temporary migrant enclaves, are not. According to village bosses and estate agents, more than two-thirds of native villagers moved away from their urban villages, and the village bosses and landlords even delegated middlemen to collect rent. The native villagers returned to the urban villages mainly for ritual or business functions. The scene of the

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<sup>378</sup> Many native villagers have business and family in Hong Kong and Southeast Asia, allowing them to emigrate for the purposes of investment and family unification.

<sup>379</sup> Interviews, native villagers, Shenzhen, 18 and 19 August 2012.

destruction of old village houses and the building of a new ancestral hall went hand in hand during the urban renewal of *Shang* Village (Figure 15). I was puzzled as to how the villagers could rationalise this contrasting treatment of their heritage. However, several native villagers reconciled the contradictions by genuinely insisting that “prosperity is the best way to greet our ancestors.” Although JCs, obedient native villagers and *dingzihu* might disagree about their attachment to the community, they agreed that preserving an heritage or lifestyle is largely a pretext to seek a better deal.



**Figure 15** New ancestor hall erected from wrecked heritage houses

Despite their limited numbers, the *dingzihu* received widespread attention because their “grievances” matched the current privatisation trend. Neoliberal commentators have argued that native villagers are discriminated against in the sense that the current compensation formula includes only property value, not land value.<sup>380</sup> Land ownership must be privatised to prevent the state from predating people’s assets and the market value of land. However, such arguments are normally and consequentially unsound. First, the ownership of land belongs to the collective and individual villagers, who possess only land use rights. Thus, the latter should be paid the market value of the land. Moreover, such compensation measures would either require government revenue to subsidise the dividend-earning classes or to increase the cost of requisition by private companies, which

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<sup>380</sup> Zhou, 2004; Hao et al., 2011; Wu, 2013.

would redistribute public money to private individuals and increase the price of newly developed commodity housing, respectively. Many native villagers had already obtained millions of *yuan* in compensation during urban renewal; such reform would increase rather than decrease inequality.



**Figure 16 The demolition and reconstruction of an urban village, 2012-2015**

Most important, contrary to neoliberal doctrine, this type of land privatisation measure actually institutionalised the collaboration between the landed rentier class and the corporatist local state, which neither enhances the transparency of public finance nor protects the property rights of individuals. As such, the rural migrants have been expelled from the migrant enclaves, while native villagers, private developers and corrupted officials have captured a large portion of the rent. The transaction costs have not been reduced but have instead been redistributed to the majority of the public who did not consent but are required to pay tax to fund the high compensation and build supplementary public infrastructure (Figure 15). Although these investment projects are increasingly inefficient and unsustainable, they are still encouraged for their ability to boost GDP and return income to the managers and officials. More wealthy urbanites are left with the option to purchase the expensive gated communities to catch up with the compound interest. Gradually, those who owned real estate and those who could not afford to do so formed two distinct classes, with the former becoming the collaborators in the commodity market, earning compound interests, advocating privatisation measures and supporting the existing order.

### ***Multiple Exit Points and Silent Rural Migrants***

Compared with the disproportionate attention on the *dingzihu*, the voices of rural migrants, who represent the majority of the inhabitants of urban villages, were silenced. Although scholars have repeatedly stated that urban renewal should consider the enormous number of tenants without property rights and should aim for communal rather than machine-like spaces, this view has never been taken seriously by either the planning administration or the mass media.<sup>381</sup> Lacking urban *hukou*, rural migrants are not entitled to receive relocation subsidies and are not placed in public housing. Because they are neither property owners nor citizens, rural migrants are deprived of the right to receive compensation or earn public sympathy.

However, the land and *hukou* systems have discriminated against rural migrants as much as helped them, providing two exit points following the redevelopment projects. The first exit point is to retreat to the urban villages in the outskirts that continue to provide temporary, affordable accommodation. According to the JCs in *Nong* and *Gong* Villages, their urban

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<sup>381</sup> *Community Design*, 2006: 14-23, 44-49.

villages have expanded by least 30 per cent since 2005 because of the influx of new migrant tenants from the city centre. Government data show that between 2006 and 2013, at least 400,000 rural migrants moved from inner-city urban villages to urban villages in outlying areas.<sup>382</sup> The municipal government has deliberately left these outer districts untouched not only because of their lower development value but also because they aim to provide a transition space to absorb this massive scale of intra-city displacement. While migrant workers remain ineligible to apply for low-cost housing provided by the state, they again face the necessity of renting the relatively affordable apartments supplied by the native villagers.

Another exit point involves relocating to the countryside. Conditioned by the *hukou* system and responding to market situations, the rural migrants alternately move between their original county and other cities. Official data suggest that the average rural migrant lives in the city for only 2.3 years.<sup>383</sup> Subjected to relatively unstable jobs compared with the jobs of factory workers, many migrants in urban villages might not even achieve that length of residence. Although many rural migrants were expelled from the city because they had only partial citizenship under the *hukou* system, the collective land system in the countryside lured them back. Land is a substantial asset through which the rural migrants were allocated exit points. Thus, although the demolition of urban villages removed the migrants' living space and their implicit social contract with the intermediate agencies, most chose to exit rather than protest. However, this exit strategy is not without costs; the low supply of cheap and skilled labour had already been evident since 2010 and compromised the labour-intensive and exported-oriented manufacturing sector in the Pearl River Delta. Although local governments have conducted some piecemeal adjustments to attract the necessary labour force, as suggested in tables 8 and 10, none of them effected systemic changes in the social and civil entitlements of migrants.

The combination of institutional exclusion and exit points effectively prohibited any organised resistance on behalf of the rural migrants and thus defined the soft nature of the migrant enclaves in China's sunbelt. Following these interventions, organised resistance and violent conflict decreased. Attachment to the community and the absence of exit points also explain why farmers in rural areas and homeowners in high-rises, rather than rural

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<sup>382</sup> Calculated from Shenzhen Statistics Bureau, 2006-2013b.

<sup>383</sup> National Health and Family Planning Commission, 2013:91.

migrants, were China's most contentious groups.<sup>384</sup> The next chapter will explore whether an exit point significantly influences stability and compliance among second-generation rural migrants who do not own collective land.

### *Informality at threat*

The above analysis reveals the contradictions of rational urban planning and informal grassroots politics in China's sunbelt. On the one hand, Shenzhen has deliberately attempted to depart from its urban past, as it is increasingly dissatisfied with remaining part of the assembly line of global capitalism, which tends to result in attracting rural migrants and increasing environmental hazards. Public infrastructure has expanded, and urban space has been restructured to prepare for industrial upgrading. Instead of weakening the state, neoliberalism along with high urbanism has assisted with and justified the spread of megaprojects to eliminate others. Shocks such as protests from landlords and displacements of migrants are considered unavoidable but necessary to enable both efficient land use and the transformation of Shenzhen into a sustainable, global city.

Nevertheless, it has become imperative to reveal the irony of Shenzhen urban renewal, in which intermediaries have absorbed contestation only through hearing the voices of privileged landlords, whereas the socialist systems used to protect disadvantaged tenants only facilitated exit strategies. The migrant workers and working poor were effectively excluded from negotiating for the living spaces that they had helped create. Clearly, this contained protest reveals the informality of negotiation and the limits of coercive state power at the grassroots level. Contrary to popular expectation, it was not the coercive state but the active intermediaries – along with micro-management tactics – that resolved tensions and solicited deals. However, the level of remedy or, more precisely, the ability to receive payoffs is a proxy for one's alignment with the neoliberal doctrines and one's distance from the state, reinforcing inequality not only between private developers and individual owners but also between native villagers and rural migrants.

Shenzhen's urban trajectory also indicates why a megacity and its slums do not constitute the urban space of typical Chinese cities. I am not denying the cultural power of cleanliness, orderliness, and healthiness – common desires that would probably unify the

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<sup>384</sup> Cf. Cai, 2010: 21-42; Read, 2012: 168-207.

greatest number of city governments and urban dwellers. Nor am I objecting to every rational principle and redevelopment effort in search of a more sustainable urban future. However, Shenzhen's urban renewal process does not simply resemble the Western benchmark: it has attempted a form of disenfranchisement and gentrification as an ideal that not even advanced developers could comprehend. In this way, "development without slums" in China's sunbelt is not only a record of past practices but also a blueprint for the future endorsed by the urban planning regime.

## 7. Brokers of Locality and Satisfiers from Afar

### INTRODUCTION

This chapter examines the micro-mechanisms that maintain the socio-political order in urban villages along with their dwellers' experience and assessment of that order. Based on 60 semi-structured interviews conducted in the four urban villages, I first identify the primary brokers and their socioeconomic ties. Although I do not claim that this small set of data is statistically significant, it nonetheless reflects the pattern of engagements as well as the political psychology in the migrant enclaves in South China. I then compare the native villagers and rural migrants' evolving roles in and attitudes towards the internal characteristics of these enclaves. In doing so, I avoid treating urban villages as purely self-contained, self-sufficient and static entities—a position often assumed by students of informal communities—but instead focus on the “dynamics of the social process and of change”.<sup>385</sup>

By giving voice to the subalterns, I reveal the source of China's local plutocracy and the boundaries of its grassroots order. I contest the notion that attributes rural migrants' economic hardship and political conformity to deep-rooted cultural factors. But I also find explanations based on kinship ties and generalised reciprocity to be inadequate. Instead, I demonstrate how the divergence in trade and class, the timing and locality of settlement, and the division of outsider and insider serve to nurture collusion, segregation, and “personalised reciprocity” among different social actors in urban villages.<sup>386</sup> Brokers

I use the term brokers to refer to the village bosses, landlords and clan chiefs who are earlier settlers interdependent upon and collaborative with each other to reinforce the insider and outsider boundaries between them and the temporary migrants. Although only the village bosses and landlords are native villagers, the clan chiefs are also considered 'insiders' due to their ability to deliver goods and services, provide protection and cultivate network with rural migrants. They are thus constantly mediating the interests between the state and society and among different players in the grassroots society.

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<sup>385</sup> Leeds, 1994:234-235.

<sup>386</sup> See Newton, 2003 and Steinhardt, 2012 for a discussion of general trust and personal trust in China and elsewhere.

Although the internal power structure and external political access still favour local bosses, native villagers and clan chiefs, most dwellers benefit from the diversity in everyday trades and secure their respective territories; hence, their levels of appreciation or toleration of the embedded order vary.

Nevertheless, the absence of overt contention should not be interpreted as migrants' approval of the regulated space, and it does not explain their silence or lack of organized resistance during the demolition of their living space. Rather, migrants' considerations are complex, flexible and sometimes contradictory. Borrowing the idea of bounded rationality developed by Herbert Simon and others, I infer that the majority of migrants are aware of the persistent deprivation and discrimination in the enclaves but choose to adapt to and profit from those provisions. They thus become *satisfiers* rather than maximisers.<sup>387</sup> Certain demographic and structural changes that might alter this order are also discussed.

## BEYOND CULTURAL AND STRUCTURAL EXPLANATIONS

China's rural migrants are known for their toleration of economic hardship, social injustice and political disenfranchisement. Despite the institutional discrimination in the land and *hukou* systems, the unequal provision of public goods in the urban villages and the demolition of their living space amidst urban renewal, these migrants rarely opt for organised resistance, and they rarely make new political claims. Rather, most migrants either rent a tiny bedroom in a remote suburban district and spend hours travelling to work every day or retreat to the countryside to await a favourable economic cycle in which their labour has higher market values.

In the previous chapters, I explained this relative stability by referring to adaptive governance mechanisms at the grassroots level. JCs and RCs are rather affluent in that they can afford to provide cheap shelter, control crimes and buy off grievances. The public and private security guards are also quite effective in that contention in urban China has typically been resolved within one or two weeks on average.<sup>388</sup> Notwithstanding the effects

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<sup>387</sup> Simon, 1982; Gigerenzer and Selten, 2002.

<sup>388</sup> Interview, public security officer, 15 August 2013; See also Yang, 2004; Lee and Zhang, 2013 for the adaptation at both institutional and grassroots levels.

of the intermediaries' provision of public goods and the state's stability maintenance mechanism, it is legitimate to ask whether this widespread toleration and compliance reflect deeper cultural and structural causes transcending age, gender, class, geography and institutions.

The idea of cultural anomaly has not disappeared in the literature, and it is arguably embedded in local government propaganda and mass media reports. Borrowing usage from their post-Soviet partners, some commentators have proclaimed that China's migrants are embedded in the political culture of "endless patience".<sup>389</sup> Others suggest that these migrants are self-restrained by the "culture of poverty" compared with the poor residing in Latin America's ghettos, shantytowns and squatters and whose habits and values are obstacles to their own socioeconomic progress.<sup>390</sup> Even those who are more sympathetic to the rural migrants consider "eating bitterness" deeply rooted in peasants' psyche, and this view explains why so many injustices have been tolerated and repeated from one generation to another.<sup>391</sup>

Equally influential is a set of structural explanations that treats China's migrant communities as unique and detached from the city at large. Kinship has long been identified as the primary ties that accounts for the behaviours and livelihoods of migrants.<sup>392</sup> Ancestry, lineage, descent and dialect are givens in the countryside but are arguably more vital in an alien host city located hundreds or thousands of miles from one's native place. This real or perceived identity not only reinforces the obligation of fellow townsmen but also enables dwellers of migrant enclaves to broaden social connections, search for jobs in the market, exchange goods and favours, and develop solidarity between strangers. In this view, despite the perceived depravity, defects and deficiency of urban villages, their dwellers have managed to form a networked socioeconomic structure that is sufficient to protect and advance their interests. These types of "dense networks of reciprocal exchange" are considered both a means to alleviate the dwellers' material predicament and a process to generate a sense of local community.<sup>393</sup>

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<sup>389</sup> Ashwin, 1998.

<sup>390</sup> Lewis, 2011.

<sup>391</sup> Loyalka, 2012.

<sup>392</sup> Ma and Xiang, 1998; Li, 2001.

<sup>393</sup> Rodgers, 2014:128-129.

Although these explanations are not entirely inaccurate or purely mythic, they are either incomplete or overly generalised. The cultural thesis cannot articulate the agency's informed calculations, and it does not pay sufficient attention to the variation in resistance and claims between different localities. Why, despite sharing a similar political culture, did peasants in the native country and workers in factory dormitories become more contentious than migrants in urban villages? Similarly, the structural thesis tends to underplay the influence of socio-political institutions along with the agency's adaptations. Migrant enclaves are regarded as all but self-limiting, self-reproducing or static entities, without acknowledging their connections to the formal city and their external relations with the local government as well as the political consequences. Many related studies concern highly homogenous villages in North China where kinships are given and cohesion is relatively easy to nurture. But in South China, most of the urban villages are more *heterogeneous*, in which migrants of different clans or lineages compete with one another for power and resources. Some of them even occupy different corners or streets in each village, and for historical and institutional reasons, they have different levels of political access. In effect, migrants' toleration or inaction is arguably a proxy of their incapacity. In a post-socialist condition of shifted state position from allying labour to capital, independent union organisation is by default censored and NGOs for migrants are repeatedly suppressed. These institutional constraints nonetheless provide the space for the practices of informal politics.

## **BROKERS AND THE LOCALITY**

Despite the favourable conditions for the emergence of conflicts, why has contention between different social groups rarely been observed or speedily managed? By contention, I refer not only to the overt conflicts occurring during the appropriation of land but also to the relative absence of rightful claims or resistance on behalf of the rural migrants who outnumber the native villagers by at least 300 to 1 in each urban village. This issue demands a detailed description of the brokers' trades and politics along with the dwellers' ties and experience in the localities. I adopt the term "locality" instead of "community" for two reasons. First of all, community has become an official and overloaded term that considers state penetration and kinship ties to be the structure of social order. This understanding gives too much attention to or provides false expectations for the common

values, nuclear interconnectedness and reciprocal obligations within social entities. In contrast, locality refers to the distinct loci of interactions in which personalised and impersonal relations, resources and power, and formal and informal institutions shape one another. This definition offers a more accurate and nuanced understanding of the ambiguous, flexible, adaptive and yet patterned grassroots politics in the migrant enclaves.<sup>394</sup>

In each urban village, I can further classify dwellers into four groups based on their power and resources: 1) members of JCs and RCs who are producers and rulers, 2) native villagers who are landlords and investors, 3) clan chiefs who are contractors and brokers, and 4) rural migrants who are tenants and workers. Groups 1 and 3 are what we refer to as intermediaries respectively connecting the state (local governments and self-ruling communities) and society (native villagers and rural migrants). Although the functions of JCs and RCs have been deliberated in previous chapters, the roles of clan heads have not been fully examined. I use the term clan to refer to all these lineage, kinship and business networks whose membership and roles are similar to the clan associations among overseas Chinese. Their major difference is that they did not form a formal hierarchy that has been encroached upon and possessed by the JC.<sup>395</sup> Rather than examining how these brokers broker deals, allocate jobs and guarantee exchanges, we aim to more generally explore how native villagers and rural migrants feel about engaging with these brokers, their forms of participation and their attitude towards the socio-political constitution of urban villages.

### ***Initial Contacts and Economic ties***

When asked why local bosses and clan heads have existed and flourished along with the urban villages, the dwellers described their initial contacts, daily necessities and reciprocal exchanges with these informal actors. Once the rural migrants moved into a host city or left a factory, their first point of contact, apart from their relatives and friends, was the municipal or district human resource market (some renamed service centres). Each day, thousands of migrants gathered outside these government buildings from 8am to 6pm, while recruitment agencies and private contractors deployed their assistants and surrogates to offer jobs and make recruits directly. Construction and sanitary work, for instance, is

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<sup>394</sup> Cf. Li, 2001; Xiang, 2005; Wu, 2010.

<sup>395</sup> Cheng and Ma, 2014:625-627.

relatively well paid, but unfulfilled payment is also extremely common.<sup>396</sup> Clan networks thus help to expedite recruitment and reduce uncertainty in an era of outsourcing.

Once recruited, rural migrants work and live as a team under different contractors (*chengbaoshang*) and subcontractors (*pantou*). Thus, when rural migrants moved into the urban villages, some of them rented apartments collectively. The standard size of urban village apartments is actually too large for rural migrants who do not have a family in the city. Hence, migrants often save money by renting apartments together in groups of four or five. One of these migrants gradually emerged as an informal leader or developed clan or business ties. One probable cause is that although migrants greatly enjoy freedom from surveillance and control after leaving the factory dormitory, they are also rather accustomed to listening to an authority or subcontractor after years of training and discipline in the sweatshops. Furthermore, clan networks prefer to employ numerous subcontractors to extend their networks while reducing operating expenses. In this regard, clan and business networks blend profession and protection.



**Figure 17 Self-service apartment listings**

To the native villagers, delegation is increasingly vital for running their business and forming a buffer zone. Huang, one of the largest landlords in *Shang* village, internalised the services from clan chiefs or local bosses.

<sup>396</sup> National Health and Family Planning Commission, 2012, 35; 2013:96.

In the past, we did everything ourselves. We wanted to know who rented our apartments. We wanted to close the deal and conduct regular inspections. I even brought my son with me so that he could learn about how to do business. But now we have 54 apartments; it is simply impossible to do it the old way [*laofangfa*]. We need help from those we trust.

Thus, some large, established clans that were often earlier migrant settlers became trusted proxies. The apartments in the four urban villages that I surveyed were almost monopolised by these proxies and their surrogates. In addition to testimonies, another proof of their monopoly is that professional real estate firms and their agents rarely existed and conducted business in the urban villages, which did not enter this informal market as they did in other gated communities (Figure 16). This is partly a result of relative low profit margins and the lack of social connections. When I interviewed two clan chiefs who rented and outsourced hundreds of apartments in three urban villages, they continually answered business calls from potential and current tenants as well as from landlords and their relatives. The content of these calls ranged from renting enquiries, construction delays, safety regulations, and evacuation assistance to procedures for handling fire department inspections and guidance in applying for permits. They are thus not merely functioned to reduce transition costs but also connecting strangers to different localities.

### ***Daily Necessities and Territorialised Branding***

These types of proxies not only are limited to outsourcing residential apartments but have also been extended to renting street-level shops, selecting building contractors, recruiting private security guards and producing cultural and recreational activities. A web of patronage has thus emerged. Although the proxies facilitated collusion between the patrons and clients, they also contributed to a flattened social order in Shenzhen's migrant enclaves. One of the deputies of JC who is also a major landlord in *Shi* village discussed his strange encounter with various clan networks:

You can never compete with the Teowchewese. They form dense supply chains and efficient logistic networks. They are so protective. As fellow townsmen, they enjoy a 3-month interest-free grace period. What did we get? One week! We locals are not passive. But earning dividends is our best option. There were already many dead bodies (*sishang zhenjie*). [The dead bodies refer to the bankrupted companies of the native villagers that used to compete with the strong clans.]

A similar remark concerned the Hakka's ability to combat harshness and perform unpleasant work, the Hokkienese's commitment to establishing trade networks and

maintaining a frugal lifestyle, the Hunanese's presence in the security and construction business and the Jiangxiese's control of the drug and prostitution trades. These characterizations and categorizations certainly hold some truth. Except for the deviant *Gong* village, the Teochewese always occupied the main business streets, opening groceries, boutiques and restaurants, whereas the Hokkienese clustered in the electric market next to *Shi* village and the textile warehouse near *Nong* Village (Figure 18). The Hakka and Hunanese also largely monopolised construction and sanitary work that is rejected not only by urbanites but also by other migrant sects or clans. Meanwhile, workers from similar professions clustered near one another. White-collars workers and migrant traders tended to relocate to neighbourhoods with efficient transportation networks or modern equipped or newly renovated buildings, whereas blue-collar workers have to choose deteriorating apartments supported by cheap groceries and underdeveloped surveillance systems. Supported by the clan networks and their micro-finances, the small business is allowed to develop. Not only did this provide cheaper goods and services, this also sustained a niche market in the enclaves.



**Figure 18 Prosperous but segregated commercial street**

Driven by the need for economies of scale, the quest for protection, and the desire for better living standards, these spatial relocation processes have been practised consistently in several villages since the mid-1990s. With the endorsement and assistance of village bosses and native villagers, who either believed in this division of labour or aimed to avoid

potential conflicts among different social and ethnic groups, a number of main avenues or streets were divided and associated apartments rented out to clans. These steady relocation processes did not result in a sharp distinction between spatially distinct groups subordinated to a particular gang or boss, but each community's internal solidarity and informal chiefship were nonetheless consolidated. Occasionally, the dwellers were informed of who the chiefs, brokers and troublemakers were. Each locality also reinforced its own identity: some areas were safer than others, and some were freer than others. Although the stereotype of each locality has been institutionalised, their reliance on intermediaries and their business networks has also been strengthened. Thus, the continuous exchange of goods and favours exclusively between particular clan members or among its business extensions is vital to maintain the *territorialisation* of politics in each migrant enclave. Locality rather than community is a more accurate description of the dynamics of the spatial order.

Certainly, some migrants are not construction workers, traders or entrepreneurs; many are salary-earning professionals or clerical staff. Many single, young, single-child family migrants are living from paycheck to paycheck and are fairly isolated from one another. Undoubtedly, they constitute the most disenfranchised and apathetic migrant groups and sources of vice and crime. However, regardless of class or profession, these migrants share certain patterns of consumption and accumulation. When asked how they would spend their profit or salary, many migrants indicated that their income was divided into several categories: 1) personal expenses, including food, clothing, income rent, transportation and entertainment; 2) official or unofficial fees, contributions and bribes; 3) remittances for their family; and 4) savings or investment. Despite that categories 1 and 2 normally constitute two-thirds of the income of wage-earning rural migrants, the existence and consciousness of separating consumption, saving, investment and ultimately planning caught me by surprise. Undoubtedly, not everyone is that disciplined, but the older and wealthier rural migrants are increasingly adapting to the idea of financial planning, which exhibits how they make use of the advantages of their sojourn for their life agenda. Wei, who runs a small restaurant, suggested that alternative ways of saving are essential:

As migrants, it's difficult for us to get loans from banks. We also lack savings. But kinship unites people. It allows us to borrow money at reasonable rates or to save money to earn interest. Thus, we can collect money to cover urgent family needs, raise capital to start a small restaurant, or meet the deposit to bid for a construction

contract.<sup>397</sup>

Although such micro-finance is largely created and maintained by the brokers, it would be an exaggeration to consider this type of interdependence purely the result of social bonding. First of all, although these micro-finance cooperatives diversified in terms of ownership and management style, they are primarily aimed at profits. Basically, these cooperatives are divided between the credit cooperatives managed by the JCs and the usury outlets financed by clan chiefs or native villagers. Established to safeguard regular interests for the collective fund and for the management of the urban villages, the former are mechanically bounded by public opinion, and hence more regulated and less predatory. In contrast, sustained by private financiers who took the risks of illegal lending, the latter always aim at high and quick returns, and hence more predatory and coercive. Whether or not one can receive instant access to liquidity and favourable interest rate from the shadow banking system is not only conditioned by his or her business track records but also his or her personal connections and overall utility in particular enclave.<sup>398</sup> These compound criteria thus concurrently create tensions between different social groups and warrant the dependence of the dwellers to the intermediaries.

Second, what constitutes kinship is rather contingent and ambiguous in the urban villages. It is contingent because the Hakka, the Teochewese and the Cantonese all belong to the province of Guangdong, yet their geographical advantage made them the earlier brokers and, subsequently, the strongest clans. It is ambiguous because these three perceived “locals” are allowed to claim their unique identity while simultaneously being united as a whole. In contrast, nearly all other clans are divided according to provincial identity rather than ancestry, lineage, dialect or township. For example, although the Hokkienese and the Teochewese share the same lineage and speak nearly identical dialects, kinship *per se* does not entail cohesion or trust between them. On the contrary, the Hakka, the Teochewese and the Cantonese were traditionally rivals and could communicate only through Putonghua. However, despite their competition and difference, they have united as the locals and formed the inner circle of the urban villages in the hope of defending their interests and customs against outsiders. From this perspective, the interplay between the *timing of settlement* and constructed local identity is more important than actual kinship ties.

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<sup>397</sup> Interview, migrant traders, Shenzhen, 17 March 2013.

<sup>398</sup> Interview, village bosses and clan chiefs, Shenzhen, 25 and 27 September 2013.

In addition, the internal purity within each clan has been exaggerated. Several clan chiefs stated that although their management cores remain largely composed of people from the same township or those speaking a similar dialect, migrants from different provinces are also encouraged to join their clan and business networks.<sup>399</sup> Hence, kinship is largely relevant during family gatherings, rituals and festivals and can and must be distinguished and detached from everyday life and trade. During daily operations and interactions, clan primary served as a “symbol” for consolidating their brand, extending organisational networks and securing clients and surrogates. Because I speak Hakka and Teochew, I was surprised to learn how rarely these dialects were used in daily and business communications. A Hakka clan leader in *Shi* village told me that the dialects were used rarely because nearly 70 per cent of the employees of their companies came from different kinships. A Teochewese clan leader in *Shang* village also estimated that “outsiders” now constituted the overwhelming majority of their companies and networks. They welcome and promote stereotypes by the native villagers or the media primarily aimed at transforming social bonding into commercial capital. After years of exchange and evolution, the relevant issue is not whether their clan members are really hardworking or frugal but whether respective clans have earned trust and established networks to make them convenient and indispensable to their patrons.

### ***Exchanges, Assurance and Habitus***

According to the JCs and native villagers, dependence on clan chiefs also results from security threats. Landlords repeatedly told us that their friends and relatives were robbed and assaulted by migrants during rental viewing or contract signing. As discussed in Chapter 4, the crime rate in urban villages is not particularly high and is comparable to the rest of the city. In addition to this average figure, robbery and assault have been concentrated in the neighbourhoods of the native villagers and wealthier white-collar migrants. Nevertheless, the native villagers are well informed that such security threats have been exaggerated in order to seek additional funding for public security enhancement. Crimes do occur in urban villages, but such crimes are not sufficiently serious or frequent to prevent the landlords from conducting business.

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<sup>399</sup> Interviews, clan chiefs, Shenzhen, 21 and 22 April 2013.

On the contrary, the growing legal consequences of conducting business in the urban villages are the real threats to landlords. These consequences include renting apartments to rural migrants who do not possess necessary documentation, providing sponsorship to clan companies that are conducting illicit business and charging illegal interest rates to contactors or dwellers. For a long time, no one was concerned. However, in view of the local authority's city appearance upgrading projects and public security improvement campaigns, the cost of participating in illegal or unorthodox activities has increased rapidly. When the native villagers became wealthier and ascended the social ladder, they no longer wanted to take risks. Thus, they counted on clan chiefs or their professional surrogates to serve as buffers, to shift the responsibility while continuing to receive dividends.

After examining the logic and considerations of the brokers and migrants during initial and daily contacts, I suggest that their relations are better understood from the perspective of "mutual assurance" rather than mutual trust. For the villagers, dividing clan chiefs into different circles and relocating the village into different zones were good strategies for rental business and for social stability. However, these practices did not mean that the native villagers had established close and hierarchical patron and client networks as did their counterparts in ghettos or slums. As proxies, they served to guarantee a constant supply of qualified migrants whose skills and abilities fit the needs of the trades and development of the enclaves. Flexibility and short contracts rather than loyalty and permanent obligation are the optimal ways to meet the changing needs of the enclaves. Although the situation seems insecure, these types of temporary but consistent jobs are preferred by many migrants, not only because fellow countrymen serve as better assurance for migrants who have often experienced the problem of unpaid wages but also because this arrangement allows them to fluctuate according to the business cycle and save money.<sup>400</sup> An idiom frequently used by both clan chiefs and rural migrants is that "the monk can run away, but the temple won't (*paodele heshang paobuliao miao*)". In the midst of increasingly privatised enclaves, informed calculations override structural conditions or cultural imprints to rule the collective behaviours of different social groups.

In this regard, the embeddedness of kinship ties must be assessed in accord to the evolving

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<sup>400</sup> Pai, 2012: 15-40, 164-206.

boundaries of goods and favours. When asked what are the principles and motivations for them to maintain stability and enhance trades in the migrant enclaves, a village boss and a clan chief make the following claims:

We must obey the CCP. That's the foundation of our society. We must also make profits for the villagers. For they form our ancestry. But beyond those limits, we must also raise our concerns to the local governments and be attentive to all the dwellers.

Some money is dirty; some is not. In the past, we earned whatever money presented to us in order to survive. But now, our position and public opinions hold us back to make selection.<sup>401</sup>

Although Huang and Ye, respectively a chairman of JC who is also a delegate of local people's congress and a migrant entrepreneur who is also a head of major clan, seemed to be speaking in tongues, the messages they conveyed are discretionary and evolutionary. First, in the absence of electoral politics, the village bosses' authority in the migrant enclaves is not only delegated but is also earned. Products of the socialist era and winners of the market reforms, some chairmen of the JC recognized the boundaries of contestation with the local state and demonstrated their commitments to various public functions. Maintaining a slightly differentiated but not largely consistent set of regulations and norms serves to manage the dwellers' expectations, inform their actions, and solicit their compliance. Second, the migrant entrepreneurs' alignment with clan chiefs and their business networks is not only economically driven but also a form of "natural selection" consistent with the path of modernisation. Employing professional mediators to engage with rural migrants serves as an indicator of the progression and gentrification of the native villagers. During my interviews, these landlords discussed the advantages of distancing themselves from the old business and from dealings with rural migrants, who were considered not merely minor subjects but also deceptive and dangerous. Undoubtedly, the security threats from and the cost of engaging with rural migrants are more perceived than real. The native villagers are indeed among the key players in consolidating these vices and crimes.

By delegating everyday trades to the mediators and creating a buffer between the landlords and tenants, the native villagers not only enjoyed more leisure time to develop other trades and hobbies but also succeeded in constructing a local and urban identity distinguished

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<sup>401</sup> Interview, rural migrant, Shenzhen, 21 April 2013.

from the subalterns. Considering the following statements, which were conveyed to me first by two JC chairmen after I introduced myself:

The London School of Economics is good, [but] my son and nephew went to Cambridge and the Imperial College...Our village provides full scholarships to our fellow villagers. They can choose to go anywhere. But we prefer them to go to the top schools in the US and in the UK.<sup>402</sup>

Whether the LSE is at the same rank as Oxbridge and Imperial is certainly debateable. But this conversation is thought to be restricted to particular professions and circles that are normally closed to the urbanites in the developed world and are supposedly irrelevant to peasants in a developing country who lack either the appetite or finances. However, the reality is that the horizon and habitus of some villagers—proxies of their resources and power—have reached a level that is beyond our *imagination*. Although the rural migrants are still working hard for basic food and clothing and feel grateful when their children are admitted to local schools, the native villagers, who also used to belong to the peasantry, have lived a fundamentally different life and have begun to accumulate economic, political and cultural capital for the next generation. How has this enormous inequality been tolerated and cultivated between the two social groups in the same locality? Why did the rural migrants, who maintain close contact with the native villagers, not sense and contest this absolute and relative deprivation?

## LOCALITY AND SEGREGATED ENGAGEMENTS

One way to answer these questions is to examine the pattern and boundaries of engagement between these supposedly closely connected groups. When asked how often they participated in communal activities during the past year, the patterns of native villagers and rural migrants differed substantially. By communal activities, we refer to a variety of social, cultural and recreational functions and events in the urban villages. These activities include occasions that are exclusively for native villagers, such as ritual ceremonies, festival banquets and medical examinations. Other gatherings, such as singing shows, sports competitions, calligraphic workshops, and health and family planning seminars, are available to all dwellers.

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<sup>402</sup> Interview, native villager, Shenzhen, 25 September 2013.

Table 8 reveals the pattern of engagement in China's migrant enclaves. However, one must consider that the variety of activities available to the two groups differs. First, contrary to popular perceptions, the native villagers are actually more detached from their villages than the migrants are. Although one-tenth of the rural migrants had never participated in any local activities, those who participated were much more active than the villagers. Although rural migrants are still essentially dependent on free goods and are attracted to popular activities within the enclaves, the villagers are not; the latter are highly mobile and aim for better quality of services and products outside the impoverished enclaves. During my residence in the *Shi* and *Shang* villages, although the open-space concerts sponsored by the intermediaries were always well attended, the native villagers almost exclusively considered them overcrowded or not aligned with their tastes. Hence, the degree of participation reflects the residents' resources and orientations towards the locality.

**Table 8 Residents' Participation in Local Activities**

	Native Villagers		Rural Migrants	
	Frequency	Percentage	Frequency	Percentage
Never	0	0	4	11.42
Once or Twice	8	32.00	5	14.29
Occasionally	13	52.00	14	40.00
Many Times	3	12.00	9	25.71
Frequently	2	16.00	3	8.57
Total	25	100.00	35	100.00

Second, the native villagers and rural migrants did not simply consume but also volunteered in these activities. In 2009 and 2010, the *Shi* and *Shang* villages, respectively, initiated fundraising campaigns for CCTV installation. Although the installations were related to harmonious community initiatives endorsed by the street office and implemented by the RC, there were some contingent causes. In both villages, the JC actively joined the initiatives because of the presence of public security threats attributed to the workers laid off as a result of the 2008 financial crisis and the return flow of rural migrants following China's stimulus package. Surprisingly, money was donated not only by the native villagers but also by a significant number of migrant entrepreneurs, traders and white-collar workers.

Eventually, the *Shi* and *Shang* villages managed to install 250 and 580 CCTV cameras, respectively, through the combination of the street office's community enhancement budget, JC management fee redistributions and fundraising campaigns.<sup>403</sup> In addition to economic and security concerns, the wealthier migrants clearly aimed to seize the opportunity to visualise their roles and residence in the urban villages. When asked about the goal of contributing to public infrastructure in an enclave that they would soon leave,<sup>404</sup> the migrants gave a variety of reasons. Some clan chiefs referred to "giving hands to the village bosses", clearly aiming for reciprocal exchanges of goods and favours in the future. However, some migrant traders claimed that their donation was "for the benefit of their place" or "motivated by the conflicts with the locals", whereas some migrant entrepreneurs explained that they simply wanted to show that "migrants could also contribute" or that "we are not the source of disorder; we also want order".

The latter two groups obviously did not free ride but instead voluntarily contributed to the provision of certain public goods. From this perspective, I use the term locality instead of community to describe the flexible, complex yet ordered pattern of engagement in the migrant enclaves. In some localities where social mobility is slow and segregation is serious, the insider and outsider division has also developed into a class division between the rentiers and labours. This type of voluntarism is spatially confined rather than cohesively produced; it is seldom motivated by a sense of brotherhood or communal ties. On the contrary, dwellers aimed to show their distinction from one another in the form of wealth, authority or identity, but their donations were attached to the loci of interactions and social needs that were unique to each enclave or to the specifics of the field.

### ***Duration of residence and perceived brokers***

In table 9, which shows the perceived brokers in urban villages, the responses from native villagers and rural migrants are clearly distinguished. By brokers, we refer to persons or institutions that either address the enquiries of clients or find ways to resolve their problems. For villagers, the JC is their most trusted broker, followed by clan networks. The remaining brokers are largely insignificant. For migrants, the priority is given to clan networks and is then diffused among the JC, NGOs, self-help and the RC. For both groups,

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<sup>403</sup> Annual Reports of the JCs in *Shi* Village and *Shang* Village.

<sup>404</sup> As indicated in Chapter 5, migrants' normal duration of residence in each host city was 3.2 years in 2011. The rural migrants in my pair study resided several months longer than this national average.

government authorities are ranked the lowest. First, the choice of perceived brokers is highly correlated with accessibility from the client perspective. The villagers directly access the JC because they come from the same family or ancestry and regularly share the profits of the same company. The villagers are also connected with clan chiefs, but the clan chiefs are less convenient or less effective. For the migrants, their first point of contact is clan chiefs or their surrogates. The multifaceted composition of migrants, including entrepreneurs, traders, clerks, salespeople and workers, also explains the varying perceptions of the second tier of brokers.

**Table 9 Perceived Brokers in Urban Villages**

	Native Villagers		Rural Migrants	
	Frequency	Percentage	Frequency	Percentage
Joint-stock company	14	56.00	5	14.28
Lineage or clan	7	28.00	17	48.57
Government authorities	0	0	1	2.86
NGOs or social workers	1	4.00	5	14.28
Resident committee	2	8.00	3	8.57
Self-help	1	4.00	4	11.43
Total	25	100.00	35	100.00

Second, my in-depth interviews suggest that the dwellers approached different types of brokers according to the nature of the problems encountered. In general, both villagers and migrants considered the JC to be the most reliable and effective in resolving disputes between different clans, securing construction and service contracts or trading commercial licences or registration quotas. On the one hand, rural migrants considered clan networks essential for finding jobs, seeking micro-finance or fulfilling the requirements of government inspections. They opted for NGOs in handling financial disputes with their employers or transferring their social security contribution from the authority. On the other hand, whereas villagers praised the ability of JCs to secure their land tenure, check street-level bureaucrats' intervention and broker urban redevelopment, they opted for clan networks to handle business deals and resolve everyday conflicts. In addressing personal problems or individual advancements, they approached clan networks for assistance; when they were dealing with public issues or rightful claims, they turned to the JC and RC for support.

Third, the longer the respondents remained in urban villages, the more likely they were to choose the JC or clan networks as their most trusted partners in conveying claims or resolving disputes. Time and observation rather than ties or habits better reveal the power structure in urban villages. In other words, the JC and clan networks have earned their reputation as reliable and effective brokers through the regular and reciprocal delivery of goods and services. This personalised reciprocity covers economic and material realms such as job security, public security and everyday trades and extends to ceremonial and intangible realms including the sharing of guidance to manage law and regulations, the delivery of money and messages to one's native place, or consolidation of ties for friends and relatives of the same kinship. As such, the sense of subordination or exploitation is minimised while loyalty and trust are socialised. Likewise, the dwellers' choice of perceived brokers is largely independent of whether the subject is the ultimate decision maker. Although government authorities such as street offices and public security stations remain the most coercive and effective agencies in the migrant enclaves, many dwellers do not trust these formal but unfamiliar institutions. From their perspectives, disputes are resolved not based on appeals to the most powerful boss but based on whether that boss would take appropriate action. Another major concern is whether the boss's appetite would be too large. Government authorities were often not approached because they failed to meet these criteria.

### ***Exclusive political access***

Despite dwellers' enduring distrust and indifference to formal and external authorities, the migrant enclaves are spatially and politically tied to the city at large. In addition to the institutional and economic networks presented in Chapters 5 and 6, I use two salient but regular trades to illustrate how urban villages' exclusivity and cohesion are structured by external political access and informal adaptation.

The first scenario concerns the illegal trade of permits and licences between urbanites and villagers and between villagers and migrants. Since 2003, Shenzhen's health, industry and commerce, environment, taxation and public security bureaus have increased the difficulty for migrant workers applying for permits to enter into several service sectors or have created new barriers to renewing licences.<sup>405</sup> Although these policies were conducted in the

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<sup>405</sup> Interview, rural migrant, Shenzhen, 20 April 2013.

name of rationalisation and standardisation, they produced a set of unrealistic and, most importantly, discriminative privileges and quotas. The hidden policy aims were to protect the privilege of the urbanites, enhance the growth of chain stores and promote the growth of national or regional brands.

In effect, migrant traders and entrepreneurs found it almost impossible to fulfil these criteria and obtain permits through normal channels. However, the grievances and sources of instability were quickly absorbed by the resale of permits and quotas on the black market. In principle, every urbanite can apply for and obtain these permits; in practice, however, the endorsement of landlords and clan chiefs is needed to start and operate businesses. Rent was thus largely sought by the local bosses who enjoyed exclusive territorial power and socioeconomic resources. Once again, these powerful individuals did not operate businesses but profited from them. Although the migrants despised this arrangement, they accepted it as the logic of collusion. A migrant entrepreneur who had run restaurants, opened hardware stores and maintained a construction team discussed his collaboration and compliance by referring to the “depth of the water” (*shuihenshen*):

The rents, permit charges, management fees and protection rackets increase once your business grows and expands. It makes no difference if you are bidding contracts. Normally, we [contractors] only receive 30 to 40 per cent of the approved budget. That’s the gross income, excluding payoffs, salaries and production costs. So of course the relations are unfair and abusive. But then the JCs are also required to pay all kinds of bribes and fees. Those at the top also exploit them.<sup>406</sup>

Consequentialism instead of procedural justice is their main concerns. This is the structural cause why eligibility for goods and services is complimented but not rightful entitlements in the migrant enclaves. Knowing that I am doing a comparative study of local governance in developing countries, a deputy of street office further rationalised the endemic corruption at the grassroots level:

Corruption is everywhere. In China, you paid the extra, the factory is built and the road is built. But in Africa or India, you paid the bribes, and you got nothing. As long as the deal is honoured, the masses of the people also benefited.<sup>407</sup>

The second scenario concerns an impromptu but routinized event. In 2007, the Civic Affairs Bureau of Shenzhen initiated a citywide charity campaign that aimed to promote

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<sup>406</sup> Interview, clan chief, Shenzhen, 20 March 2013.

<sup>407</sup> Interview, government official, Shenzhen, 25 March 2013.

philanthropic culture and voluntarism. The authority knew in advance that the internal target (*zhibiao*) of raising 150 million *yuan* could never be achieved by voluntary donation.

<sup>408</sup> Dozens of large SOEs and JCs were thus solicited to make voluntary contributions. Each of the participating JCs was assigned a donation amount that was a proxy of their wealth and status. A first-tier JC such as *Shi* village donated 260,000 *yuan*; a second-tier JC, such as *Shang* and *Nong* village, donated 150,000 *yuan*; a third-tier JC such as *Gong* donated 80,000 *yuan*; and the amount donated by the others varied.

According to several village bosses, coordination is limited to the third tier because their informal chamber did not accept members beyond that. This chamber is primitive or guild-like and is admissible only to the JC heads or deputies. The elder chairmen were addressed as “the venerable” (*gong*). This honorific title is inherited from the gentry, indicating respect for one another as well as equal status. When they aimed for collective action, one of these *gongs* would call a meeting. Most of these actions concerned resisting government initiatives, obtaining a more favourable plot ratio, securing a large redevelopment contract, enhancing villagers’ personal quality (*suzhi*) and promoting indigenous heritage. However, the purpose of this formation was not organised resistance. On the contrary, collective actions or informal lobbying was used to demonstrate the interdependence of the JCs and their indispensability to the state. Their weaknesses and merits were depicted in a matrix. “We know the boundary”, said one of the *gongs*. In this regard, they not only occupied a position in the state’s united front framework but also preserved a certain degree of autonomy and their vested interests in the urban villages.<sup>409</sup> Through consolidating the business networks in each locality and cultivating the external connection with the local state, these village bosses and clan chiefs, respectively and concurrently, resemble the features of Prasenjit Duara’s protective and entrepreneurial brokerages.<sup>410</sup>

## TOILERS, TRADERS, TRANSIENTS AND CITIZENSHIP FROM AFAR

Was the migrants’ compliance in the micro order extended to or intruded upon by the macro order? Migrants have benefited from some reforms in recent years. The Labour Law

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<sup>408</sup> Interview, government official, Shenzhen, 28 September 2013.

<sup>409</sup> Shenzhen Civil Affairs Bureau, 2007.

<sup>410</sup> Duara, 1988:43-44, 55-57.

in 2008, although selectively and ambiguously implemented, provided more protections for migrants, such as minimal wages and overtime allowances. In coastal China, the lack of labour supply since 2009 also led to a substantial increase in salaries. Official data suggest that the average income of migrants increased by 15.3 per cent between 2010 and 2013.<sup>411</sup> To further reduce their burdens in the host cities, municipal governments have gradually included migrants in their social security nets. The children of migrants, for instance, are covered by free primary education in Shenzhen once the migrants make social security contributions for more than three months.

However, these changes are incremental and attempt to neither redress the enduring institutional discrimination against migrants nor encourage their empowerment. The following are statements from two white-collar migrants who shared an apartment with me for two weeks. The first statement is from an old migrant named Guang who resided in the city for more than a decade and who has been working as a mid-level contractor. The second statement is from a young migrant named Ming who arrived in the city in 2010 and has already changed jobs six times and lived in three urban villages.

I built more than one hundred apartments in Shenzhen, none of which will be my home. It sounds absurd (*kexiao*) or pathetic (*keilian*). But what can I do? My options are limited. I gave up returning to the countryside, because I will soon get married. Some of my younger colleagues rallied to fight for collective bargaining. I appreciated their efforts, but those are too remote and costly for me. I will focus on earning money and raising my quality of life, I will soon satisfy the criteria of the point-scheme and then transfer my *hukou*.

I envy those with normal, yellow skin colour. Being too dark like me indicates that I am an outsider. With our clothing, work and education, we are looked down upon by the urban dwellers. We will never be admitted into [urban] society. What can I do? I very much enjoyed serving as a volunteer for a NGO working to empower rural migrants. I spent a lot of my free time on this work; they informed me about my rights, and then I can share this information with my fellow workers.<sup>412</sup>

This anxiety that accumulates in the workplace and in everyday contact suggests that migrants are saddened, puzzled and angry that they are regarded as an inferior subject. They are considered either toilers who accepted the work that is left by the urbanites or transients who were denied the opportunity to assimilate in the cities. In the course of

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<sup>411</sup> National Bureau of Statistics, 2014a.

<sup>412</sup> Fieldwork, 12-25 July 2013.

economic liberalisation, migrants are encouraged to use self-help concerning welfare provisions and personal quality (*suzhi*) perfection, which are framed by the government as the prerequisites for their eligibility for the social and economic benefits that are associated with citizenship.<sup>413</sup> However, age, which is both a variable of itself and a proxy of future income and taste, has contested the effectiveness of this policy. Young migrants have increasingly considered the city their ideal home. This perspective arises not only because young migrants enjoy a cosmopolitan lifestyle but also because they are attracted to the variety of civic and cyber cultures, which cannot be detached from the city. Wealthy or talented migrants are largely allowed to reside in the cities permanently and are absorbed as members of urban society. However, the *hukou* system and the urban renewal process have continued to marginalise the majority of migrants and treat them as a means of production or as permanent transients.

In addition to these personal reflections, hard evidence reveals the hearts and minds of the new generation of migrants who increasingly desire to live in cities. First, the gradual decrease in remittances from the new migrants serves as a good indicator of their intention to not return to their native places. Remittances have been identified as a key source of manifold changes in the economy and society in rural China. An estimated US\$ 30 billion was transferred from urban to rural China in 2005.<sup>414</sup> Older migrants frequently shared with me both the difficulty and the joy of sending money back home: the long queue outside the postal office, the anxiety about asking township fellows to bring their money back home, and the first time making bank transfers, among others. However, the queues disappeared and memory faded for the new migrants. Due to the youth's preference and associated demographic changes, remittances per capita have steadily decreased in recent years. It became doubtful if this level of remittances would be sufficient for basic consumption, let alone productive consumption and investment in the countryside.

Second, excessive consumption is another side of the coin showing the migrants' attachment to the cities along with their anxiety. During my brief residence, I repeatedly observed the phenomenon of many youth migrants becoming members of the "moonlight clan" (*yueguangzu*) who used their entire salaries before the end of each month. Many

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<sup>413</sup> Keane, 2006; Murphy, 2004.

<sup>414</sup> Cheng and Zhong, 2005:5; Zhu et al. 2012:655.

factory and construction workers gambled or become alcoholics. Regardless of class and profession, these young migrants spent a large portion of their leisure and money on dating, buying electronic products or playing online games. Certainly, the proliferation of information technology and social media among the young migrants has enabled them not only to compare and contrast domestic and global affairs but also to better articulate and frame their hardships and grievances. However, recent studies contend previous optimism that interactions and criticisms in the public sphere would be sufficient to mobilize and to be transformed into organised collective actions.<sup>415</sup>

This observation provides a clue as to how and why young migrants have casually and persistently engage in habits that brought them further from their goal of residing in cities. Undoubtedly, the migrants understood that they needed a saving plan and that their families in their native places needed their remittance support, and they probably needed to voice their demands. However, these migrants realised that their goal of citizenship was tightly restricted by the *hukou* system, their land rights in the native place had already been confiscated, and the price of real estate in the cities was rising at a rate several times faster than their salary increases.<sup>416</sup> Given this dilemma, a rational individual tends to favour expressive consumption, aiming to enjoy the present rather than to plan for the future.

Third, challenges also emerged from the institutional change in local political machines. In December 2011, the Ministry of Civil Affairs formulated a policy document to attempt to integrate rural migrants into the local community.<sup>417</sup> This policy stipulated that migrants who lived in a legal apartment and resided in a community for more than one year were entitled to become electorates in the election of RC members. Because many provinces and cities have not yet implemented this national policy and because the tenure of many RCs in my surveyed villages had not expired, the impact of this policy on the territorialisation of politics remains unclear. Given the experiences of village elections in rural China and community elections of the RC, however, such changes would not be astonishing.<sup>418</sup> This scale of expansion in the electorates would certainly create new procedures, produce deliberative effects or adaptive reasoning and most likely result in a reshuffling of power in the fragmented and localized patronage networks.

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<sup>415</sup> Cf. Tai, 2006:287-292; King et al., 2013: 323-325.

<sup>416</sup> See Chapters 5 and 6 for details.

<sup>417</sup> Ministry of Civil Affairs, 2012.

<sup>418</sup> O'Brien and Li, 2000; Read, 2003; He and Warren, 2011.

### *Adaptive brokers and satisfiers*

As a form of informal communities, urban villages are inevitably embedded in and shaped by the wider socioeconomic structures, political institutions and historical precedents. The previous chapters have documented the overarching structures and changing dynamics in these migrant enclaves. The aim of this chapter was different: I aimed to give voice to the dwellers of the enclaves to understand their experiences and assessments of the socio-political order in the urban villages, which, despite the clarifications made earlier, might still seem impoverished, unjust and alien to many. As migrant workers constitute not only the overwhelming majority of dwellers but also the underclass, they serve as the primary unit of analysis, although the views of the village bosses, landlords, and clan chiefs are also considered.

I found that migrants are highly industrious, sensitive and adaptive. Rather than being the victims of their own making as the “culture of poverty” thesis infers, these migrants are expanding their trades through collaboration with the brokers and defending their realm via the territorialization of politics. In this sense, the thesis of kinship ties is also revisited. Kinship ties remain vital, but they do not naturally lead to social cohesion and generalised reciprocity; rather, the timing of settlement, the location of territory, class division and personalised linkage are relatively dynamic. Moreover, the presence of mutual assurance within clans and embedded discrimination between groups suggest that the dwellers of migrant enclaves are more flexible and adaptive than commonly assumed. Bounded and differentiated by the power relations within and political access outside of the migrant enclaves, most of the dwellers, including local bosses, clan chiefs, native villagers and migrant workers, chose to satisfy and empathise, thus accumulating diverse economic, social and cultural capital. In certain extreme cases, they returned to the countryside or moved to other cities. These informed adaptations form both the dynamics and the structural order in the enclaves.

I further identified several structural and institutional changes among the migrants and in the urban villages. On the one hand, intermediaries such as village bosses and clan chiefs are both de-territorialised and de-authorised because of rapid urban renewal. On the other hand, young migrants increasingly desire to become settlers. These changes contest the applicability of the logic of exchanging entitlement to citizenship for eligibility of payoffs

and may invalidate the exit point mechanism that counts on migrants to oscillate between their native place and host cities. With the removal of intermediaries to provide welfare to the poor, as in the past, and in the absence of a populist machine to articulate grievances to migrants, as in third-world slums, could China's grassroots governance continue to nurture collusion and maintain stability? I shall address this question, among others, in the concluding chapter.

## 8. Conclusion

### PARTICULAR MANIFESTATION OF PREVALENT TRANSFORMATION

This thesis has examined the interplay of macro-institutions and micro-mechanisms in the making of China's urban grassroots order during the post-1978 period. This episode of massive internal migration and urbanisation is almost unparalleled in human history. With the movement of more than 274 million rural migrants into cities and a 36 per cent increase in urbanisation in three and a half decades,<sup>419</sup> China has not only benefited from a cheap and constant supply of labour in becoming the world's factory but also experienced extensive urban contestation in terms of land, lodging, employment, social security and citizenship. However, contrary to the records of most early and late developers, where development comes with slums, China's great urban transformation has maintained fairly regulated, dynamic, less contentious and yet soft migrant enclaves.

Although I found this deviant case interesting and puzzling, I realised that three groups of observers might not share my views for positive or normative reasons. The first group merely disputes the facts. One logical critique is that although development brings slums, China has not yet reached the critical threshold for slums to spread. By referring to the scale of China's internal migration, the speed of its urbanisation and the hybridity of its migrant enclaves, Chapter 2 demonstrates why China's urban contestation could only be greater, not lesser. Furthermore, the demolition of urban villages and the devotion to megaprojects discussed in Chapters 4 and 6 indicate that slums, urban villages or informal settlements will not define China's urban future. Hence, the absence of slums is not only a present reality but also a future prospect for China. This development trajectory indicates the reshuffle of power and resources at the urban grassroots but also reflects the interests and ethos of the local state, *xitong* and grassroots regime.

According to another line of positivist critique, many urban villages are indeed slum-like places where poverty, disorder and despair are cultivated. To the devotees of high modernism and neoliberalism, including many of the urban middle class and professional

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<sup>419</sup> This number includes 106 million migrants who are engaged in non-agricultural work in their nearby townships and small cities. See fn11.

city planners, the very existence of informal settlements already constitutes an offence of taste or an exemplar of inefficiency. The fact that these enclaves are homes to tens of millions of rural migrants, commonly perceived as traditional, backward and dangerous, only multiplies the threat and affirms their prejudices. Certainly, crowdedness, poor hygiene, fire hazards and pollution are not uncommon in urban villages. However, I argue that a slum is not merely an index of such poverty-related problems; it also depicts the extent of political anarchy, entrenched inequality and a sense of place. After comparing the features of four urban villages against these objective and inter-subjective criteria, I insist that the enclaves in China are more governed, affluent, and vibrant yet soft than those in many developing countries.

Nevertheless, whereas the spatial and political order of China's urban grassroots shows distinguished trajectories and forms, it has also encountered contestation regarding state authority and public services that is common to developing countries along the orbit of global capitalism. This thesis aims to examine the conditions for China's adaptive responses to such antagonism, the associated contradictions and the impacts on grassroots order and civic engagement. Although the case of Shenzhen cannot reflect all situations in China, the *hukou* and land systems are configuring national institutions, and JCs and clan networks are lively in the South. Thus, the patterns identified in China's first SEZ and its sunbelt city are by no means unrelated to those found in other cities that may have faced less contestation but are modelled after this "vanguard" (*xianfeng*) city. The pair comparison of four urban villages in the sunbelt city with varied spatial, economic and demographic configurations helps to verify our findings and answer larger questions concerning the checks and balances laid down by surviving socialist institutions during market transitions, the interplay of despotic power and infrastructural power, and the boundaries between the authoritarian state and civil society in China.

## **INSTITUTIONAL FOUNDATIONS OF CONTRADICTIONS**

The second group of observers, who might well observe the deviant phenomenon, draw conclusions from regime type. These individuals insist that the Chinese communist regime, whose capacity is thought to have markedly strengthened since the market reforms, cannot tolerate spatial irregularity or social disorder. Although I agree that the CCP – similarly to

any consolidated regime – is most concerned with order and stability, I must emphasise that it has largely transformed from “totalitarianism” into authoritarianism,<sup>420</sup> i.e., from commanding people on “what to do” to regulating people on “what not to do”. The institutions delegated to fulfil these roles are thus facing new challenges and hidden contradictions during China’s multiple transitions. Contradiction in this sense is not opposition, but it arises when “two seemingly opposed forces are simultaneously present in an entity, a process or an event”.<sup>421</sup> Contradiction is not necessarily bad, but it invites us to note incoherence and adaptation at the grassroots level that cannot be fully attributed to regime type. At least three contradictions have emerged in the rapid urban transformation that could have generated widespread instability, disorder and despair if not for the interventions from resilient institutions and resourceful intermediaries in China.

The first contradiction concerns new market forces and old socialist institutions during socioeconomic transition and the early stage of capital accumulation.<sup>422</sup> The need for migrants to provide a cheap and constant supply of labour to develop a labour-intensive and export-oriented economy for global capitalism is incongruous with the practices of administrative and fiscal decentralisation aiming to relieve local governments of the need to provide residual public services and a basic safety net. If neoliberal doctrines such as the maximisation of the exchange value of labour and the commodification of land ownership were rigorously and fully implemented, the needy but abandoned rural migrants – numbering hundreds of millions – would have built countless slums, a form of self-help settlement, from scratch in Chinese cities.

However, three socialist institutions have mediated the expectations of migrants and shaped the length of their urban residence. Chapter 3 shows how the *hukou* system has institutionalised a targeted surveillance system aiming to regulate rural-urban migration, determine welfare entitlement and enforce social control. The fear of custody, repatriation and a legacy of bad records during the application and renewal of travel and residence permits has been internalised in the considerations of rural migrants, limiting their choices for overt contention, including building self-help housing and piloting rightful resistance. Furthermore, the constant adaptation of the *hukou* system has absorbed talented and rich

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<sup>420</sup> Notwithstanding the controversy regarding the totalitarian framing of the communist regime, I borrow the concept to emphasise the changes in the regime despite the continuous ruling of the CCP.

<sup>421</sup> Harvey, 2014:6.

<sup>422</sup> See Goldman and MacFarquhar, 1999; Lin, 2006; Huang, 2008; Li and Ong, 2008.

migrants to stabilise these potentially contentious subgroups. Chapter 4 also explains situations in which the dualistic land system concurrently reduces migrants' working and living costs in host cities by providing affordable and sufficient urban villages and granting exit points for migrants to adjust to the business cycle by securing land for farming, residence and family ties in the countryside. Moreover, the movement from controlled factory dormitory – a capitalist manifestation of the *danwei* system – to urban villages surprisingly offers a sense of liberalisation and improvement to many migrant workers. Regarding their combined effects, the contradiction between market forces and socialist institutions is controlled yet unresolved, thus preserving the grassroots order at minimal public expense.

The second contradiction concerns the peasantry and working classes in the context of an urban-rural divide and back-and-forth migration. Under rapid and intensive urban sprawl, the *locality* of land rather than the size of land has profoundly triggered inequality within the peasantry and fundamentally altered the income and life chances of landed peasants and migrant workers. Compared with the rural migrants who were surplus farmers became cheap labourers in the global economy, the native villagers became landlords profited from their valuable land in the city centres. Likewise, while migrant workers transformed from temporary tenants into displaced persons during urban renewal, native villagers have lived on massive rental incomes, loan interest and commodity compensation during the formation and demolition of urban villages. By providing native villagers and their organisations (JCs) and surrogates (native clans) with payoffs and patronage, the local government colluded this stabilising force to produce public and private goods in the enclaves in the form of daily routines and to manage their personalised resistance during contentious episodes, as indicated in Chapters 6 and 7.

In this regard, the tension between class and class relations is rather dialectical. With the systematic rural-urban divide, different rural migrants are always strangers to one another in their host cities, as they have varied identities and, over time, contradictory roles. These rural migrants are workers in cities but farmers in their native places; they are migrant tenants in urban villages but landed peasants in rural villages; they may be not only victims of land expropriation but also hatchet men during building demolition. Entitled with rural land as a form of dividend-generating assets but concurrently forced to become wage-earning workers in cities, many rural migrants have been trapped in semi-

proletarianisation, a process of diverse labour process, job content and chance of social mobility. This characterisation leads to a mechanically fragmented class structure that hinders the organised pursuit of class interests. While rural land provides a means of production and subsistence for returned migrants, which explains their high degree of toleration despite institutionalised discrimination and recurring displacement, this social safety valve also permits the capital accumulation of the foreign and domestic capitalists as well as rentier classes in the urban villages at a rate distinct from that of other developing countries. Contrary to popular belief, the land system – a form of socialist legacy – has offered the necessary conditions for both China's exceptional growth and its structural stability.<sup>423</sup>

The third contradiction involves despotic power and infrastructural power at the urban grassroots level. According to Mann, despotic power is the state's coercive power over society, while infrastructural power measures the state's power to penetrate into civil society to enforce its decrees within its territory.<sup>424</sup> Although these two forms of power always coexist, they are often in conflict with one another in an authoritarian context where the regime aims to maximise control over its subjects and realm. The trajectory of China, however, has demonstrated a synergy of these two powers that differs from this understanding. In the Republican era, the collapse of bureaucratic power and the spread of bandits exhausted the coercive authority and extraction capacity of the state, both centrally and locally. The gentry hence substituted for the role of the state and served either as entrepreneurial brokers or as protective brokers, but they were not an extension of the state.<sup>425</sup> After the communist and socialist resolution, the despotic and infrastructural power of the People's Republic grew synchronously and peaked at the time and territory of the people's commune.

However, continuous privatisation and decentralisation since the market reforms have created new dynamics to contest the synergy of strong despotic power and strong infrastructural power. One tension involves *rivalry* within the local state. Despite subordination to an increasingly high-modernist and neo-liberal regime, the tension and fragmentation between the municipal authority and grassroots regime remain strong.

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<sup>423</sup> Lin, 2015:34.

<sup>424</sup> Mann, 2008.

<sup>425</sup> Billingsley, 1988; Duara, 1988.

Whereas city planners aimed to eliminate urban villages entirely to build a modern metropolis to drive economic growth, street-level cadres recognised the utility of informal settlements in terms of exchange and stability and hence bargained to protect them. Compared with municipal governments, which have numerous official and back channels to profit from public infrastructure deals and services, the grassroots regime is heavily dependent on everyday trades and bribes in informal settlements. Unpacking the local state reveals the reasons for tolerating or preserving a distinguished grassroots realm despite the repeated re-centralisation and gentrification policies of municipal governments discussed in Chapter 4.

Another tension concerns the power and resources among different *segments* of the grassroots regime. Formally, the RC and the JC are respectively extensions or tools of the local state but informally, they perform unique roles and enjoy ample autonomy. Whereas the boundaries between despotic power and infrastructural power are constantly evoking, those between the definite agenda of the state and the informed tactics of society are always under contestation. This reveals the operational overlap in these two forms of grassroots agency. While the JC's authority is partly delegated from street offices and its daily operation is dependent on the cooperation of the RC, it has stretched high autonomy within a bounded locality. As indicated in Chapters 5 and 6, the commercialisation of politics makes the JC indispensable to both patrons and clients. What makes China special is that both pseudo-state and non-state agencies possess infrastructural power. Because of the considerable resources processed by the former or its indispensable role during downscaling and outsourcing, policy initiatives and public goods must be channelled through and delivered by it. Hence, although market reform has structured inequality, it has also strengthened intermediaries, enabling them to govern the privatised collective and negotiate with the state on behalf of inhabitants. Further, the unpacking of China's grassroots regime indicates a nuanced expression of power and resources in an open and resourceful yet exclusive enclave. Despite China's authoritarian context, infrastructural power is not merely structured by despotic power; its constituents include both local governments and grassroots society through which the ingenuity and autonomy of the intermediaries are institutionalised and nurtured.

## **INTERMEDIARIES IN DIFFERENT LOCALITIES**

Beneath these structural contexts is the realm of intermediaries that execute local state decrees and articulate the interests of the grassroots population. Which micro-mechanisms have respectively sustained the provision of public goods and managed social discontent in the absence of a welfare state and electoral politics? The case studies of four urban villages in *guannei* and *guanwai* allow me to measure and verify the degree of 1) urban poverty, 2) entrenched inequality, 3) political anarchy and 4) inhabitants' inter-subjectivity in China's migrant enclaves. Essentially, I found more similarities than differences between the urban villages based on these criteria. This outcome either implies that the roles of intermediaries have overridden the difficulties of providing public goods in different socioeconomic and demographic contexts or reflects the effects of the institutions described to the extent that their configuration renders diverse villages as similar. By showing how effectively the intermediaries observed the boundaries set on the agenda while simultaneously pushing those boundaries on behalf of their constituents, I favour the second explanation.

First, whether the urban village is a hotbed of poverty is difficult both to measure and to interpret because "hotbed" is a dynamic concept that requires process tracing. I thus revealed the monthly incomes of urban village inhabitants, compared their disposable income with the rest of the city, and distinguished the income sources of native villagers from those of rural migrants. Given that many migrants purposively minimised their expenses in the cities to invest in small businesses or send remittances to their families, income and consumption levels do not constitute a reliable index of poverty. Overall, income in the enclaves is approximately two-thirds of the city average, largely because the majority of inhabitants are migrants rather than urbanites. However, their disposable incomes are high because of affordable housing, inexpensive food and walkable commutes to their workplaces. As shown in Chapter 4, urban village apartments are regularly in short supply, and their occupation rate has always been higher than that of commodity housing.

Despite being inexpensive, the apartments are not primitive. Compared with typical slums, Chinese urban villages have modern layouts with durable structures for construction, and each apartment is typically supplied with electricity, water and sanitation services. The *guannei* pair of villages even has air conditioning, Internet connections and cable television. Although one of these villages has been partially demolished while the other has been well preserved, they exhibit the similar logic of a privatised collective that values the

opinions of shareholders and consumers. For instance, the JC in *Shang* Village submitted itself to the urban planning regime and to an SOE to demolish nearly one-third of the village in the hopes of bringing “enduring prosperity to the villagers”.<sup>426</sup> Convinced that the rental and loan incomes from its prime location are more valuable than apartment sales, the JC in *Shi* Village has invested tens of millions of *yuan* to provide public and club goods, thereby establishing personalised relations and soliciting support from rich migrants. Although these goods and networks are not forms of social security that can easily be converted into capacity, they have enriched the convenience, diversity and standard of living of the enclave, which are integral to urban life and highly valued by the migrants and the poor.

Second, despite the extreme structural inequality in the urban villages, such inequality is arguably less entrenched and less severe than in factory dormitories where surveillance is routinized and exploitation is normalised. That said, such inequality is connected to the land system and further intensified by patronage. Land, as property and a means of production, significantly differentiates income and wealth between native villagers and rural migrants. During contentious episodes, the outcomes also benefit landlords while alienating tenants, as is evident in the sizeable compensation that villagers receive during urban renewal and the massive displacement of rural migrants during mega-events. In the absence of electoral politics, native villagers serve as patrons and constituents of both the JC and RC, whereas rural migrants, given their short residence and rural *hukou* status, are denied various civil rights. The intermediaries are thus mainly accountable to the former rather than the latter. More importantly, this structure results in the emergence of a rentier class that does not need to labour yet rapidly accumulates capital through rents and loans. In contrast, migrants have nurtured to become creative, adaptive and hardworking, thereby incorporating the wider structure into their social practices and intertwining the formal institutions to fit their personal goals.<sup>427</sup> Apart from education and medical benefits, rural migrants have been rather indifferent to progressive issues such as environmental conservation, gender inequality and civil rights, which limit the reach of the NGOs and the linkage of their social grievances to wider political agenda.

However, the migrant enclaves are more vibrant and open than is commonly assumed.

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<sup>426</sup> Interview, village boss, 18 June 2014.

<sup>427</sup> Murphy, 2002: 217-219.

First, the four urban villages are self-sufficient in terms of consumption, with corner shops providing daily necessities that are affordable for migrants. Second, although the interests of native villagers and clan leaders carry more weight during resource distribution or public consultation, migrant entrepreneurs, traders and workers are not always the losers. In the *guanwai* pair, the semi-collective economy requires a team of skilled artisans and technicians who enjoy considerable bargaining power. In the *guannei* pair, the rental and trade model entails that migrant traders and mavens consider the enclaves for both working and living. Power and resources in the enclaves are certainly unfair and unequal, but their economic structure ensures that less predatory means of production and less coercive means of control are enforced. Given that the discriminatory *hukou* system and the exploitative Foxconn system are both national and wide-reaching, such informal locatives actually entail greater diversity and flexibility. As indicated in Chapter 7, the rural migrants generally approved of their transition from factory dormitories to urban villages and did not view the latter as enclaves of deprivation or despair. The exit point mechanism discussed in Chapter 5 also explains why various means of subsistence are provided to enable neighbourhood regeneration. When the third option, exodus, is offered, migrants no longer need to struggle between resistance and compliance once these options become offensive or unproductive. The lack of collective identity and organisational needs were the noticeable trade-off when migrants rated eligibility for favours over entitlement to rights. However, this observation also suggests that the relative order in China's urban villages (compared with their counterparts in slums) can be explained by the diverse tools used to escape from their entrenchment.

Third, the absence of political anarchy reflects the role of JCs in maintaining social order along with the extent of their territory. As discussed in Chapter 5, claims of disorderliness and irregularities in migrant enclaves are largely exaggerated. In fact, crime rates in urban villages are comparable to the rest of the city. Such images result from public security forces' targeted surveillance and displacement campaigns and are consolidated by media reports of prostitution and drugs in selected urban villages. However, the presence of collective security brigades and private security teams draw the boundaries of the supposedly penetrative regime and reflect the strength of non-state agencies. A more symbolic structure involves the installation and management of electric gates at different entrances of the urban villages (except for the main avenues that connect to the rest of the city). Presented in three of the four villages, these gates regulate traffic and protect the

inhabitants as in middle-class gated communities. More importantly, guarded by privatised security teams, these gates draw the boundaries of the territory of urban villages and symbolise the JCs' power and resources.

Certainly, the JCs have relied heavily on clan networks and even gang members at times to maintain stability, offer protection, invent threats and resolve contention. In the absence of the electoral machines widely developed in Latin America and Southeast Asia, China's intermediaries rely on the interplay among payoff, patronage and threat mechanisms to articulate the interests of rural migrants while satisfying the agenda of the local state. First, cheap lodging, adequate jobs and basic public goods are provided to all inhabitants, which reduces the attractiveness of becoming gang members and hence contains this tumour of disorder. Second, building contracts are allocated, business permits are dispensed, and committee appointments are solicited for clan leaders and migrant entrepreneurs to ensure compliance and solidify interpersonal networks. Third, sporadic forced displacement of contentious migrants or loyal protestors occurs to produce precedents, generate threats and eliminate dissenting elements before they become more sophisticated. Given the resourcefulness of the grassroots regime, payoff and negotiation are always preferred, and coercion is mainly used as a threat to induce political conformity.

Despite lacking the uncontested authority of local despotism and the desire to contest political power, grassroots agencies and their partners and surrogates have remained powerful and semi-independent. Similar to bossism in the Philippines, these entities are merely *subordinating* rather than submitting to the state apparatus to protect their realm and secure their interests.<sup>428</sup> Although the electoral machine is prohibited from developing under the one-party state, some elements of popular politics have emerged. Compared with the more independent and organised NGOs that are subjected to tight surveillance and recurring crackdowns, these intermediaries are always welcomed and tolerated for their public functions. However, this differential treatment implies that the state has never truly retreated from its social functions; instead, it has been eager to redraw distinctions between friends and enemies and between direct provisions and circuitous outsourcing. As such, the social capacity and organisational structure for civil empowerment, which are quite common in informal settlements in Latin America, Africa and Southeast Asia, are either

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<sup>428</sup> Sidel, 1999:140-143.

restrained or substituted in China.

In the overall picture, the quality of public goods and the ability to satisfy the state agenda clearly differs among the four urban villages. Two contingent variables are notable. One concerns the leadership of a village boss. Although the JC is informal yet influential, the JC leadership makes a great difference. This applies to the head of *Shi* Village, who has ruled since the shareholding reforms in 1995 and previously served as a production team leader. A product of the socialist era, he acknowledged the boundaries of negotiation with the local state and showed compassion towards his subjects within the privatised collectives. When more than 95 per cent of the JCs in Shenzhen had built new ancestral halls to record their success and prosperity, he used the budget to promote intangible values among the young villagers and to recruit talented migrants to join the company. He also holds authority and tenure that allow for trial and error, which is increasingly a luxury for the heads of other intermediaries and for local officials.

Another point concerns the diffused interests of the inhabitants. Despite the heterogeneous nature of the urban villages, their inhabitants once shared some interests, making societal responses highly predictable and allowing the coercion, patronage and exit mechanisms to work effectively. Working hard to earn money and saving to send remittances to their families had long been the common goal for the majority of migrants, regardless of age, clan, locality or length of residence. However, new demands for consumption and citizenship have emerged among the young migrants and young villagers. Separating from the improvised villages and trades is on the agenda of the former, while volunteering at NGO seminars and in public works is increasingly normal for the latter. Thus, although I agree that the old migrants are “eating bitter fruit” or tend towards compliance, this attitude results not from culture but from the precedents, tastes and organisational deficiencies shared by the old generation. As revealed in Chapter 7, this tendency contrasts starkly with the suffering, grievances and ambitions of the new generation.

As the village bosses and old migrants are both proxies for contradictions inherited from the socialist era and magnified under market reforms, it is unlikely that their political skills could be reproduced or that their next of kin share their ethos and beliefs. Hence, uncertainty abounds in the grassroots order. Together with the new policy that allows migrants to become electorates of RCs and the rapid demolition of JCs, we might observe

the rise and consolidation of pseudo-state agencies to replace non-state agencies. Although it is difficult to predict whether such development would enhance the penetration of despotic power into the grassroots level, the difference in grassroots politics between North and South China and between coastal and inland China will certainly be gradually minimised. Nevertheless, these structural changes remain in the early stages and are constrained by the aforementioned contradictions. However, benefitting from the declining state sector and the spread of privatisation, certain intermediaries in South China have become indispensable to the state and to society. Because of their interventions, public goods are delivered, individual pursuits are facilitated, and everyday conflicts are aired yet effectively managed. Through the commercialisation of state functions and the territorialisation of business networks, these intermediaries are relatively more autonomous than the theory of state corporatism assumes.

In this way, E.P. Thompson's idea that class formation is "an active process which owes as much to agency as to conditioning" may find a new resonance in contemporary China.<sup>429</sup> On the one hand, due to their temporary residence in heterogeneous urban villages, old migrant workers, as opposed to older generations of state sector workers, have missed the working class communities that are conducive for the making of class and class consciousness. On the other hand, effectively denied of land rights in rural areas and concurrently exposed to an increasingly exploitative but sophisticated global capitalism, young migrant workers may be habituated with the new socioeconomic structure to transform from semi-proletarianisation to proletarianisation.

## **REGIME, AGENCY AND RECIPROCAL RESILIENCE**

Finally, the third group of observers might disagree with me for normative reasons. Because slums are widely considered negative externalities of neoliberalism yielding poverty, disorder, inequality and the like, development without slums must be a good thing. Accordingly, if China could produce economic growth and concurrently retard the undesired consequences, it might provide an alternative and preferred development model. However, would this view give too much credit to an authoritarian regime tolerating

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<sup>429</sup> Thompson, 1963:9.

exploitation and inequalities and featuring elements of crony capitalism?

Although this thesis is largely empirical in focus, I have attempted to address these challenges. By outlining the contradictions within the socialist institutions and the antagonism produced by market forces, I first identified the conditions that are essential to retarding the formation and spread of slums. I argue that certain surviving socialist institutions such as land tenure, *hukou* differentiation, privatised dormitories and collectives, and the internalised memory of both equity and coercion among the dwellers are vital to explain their favour over localised patronage and exit points. Socialist institutions must accordingly be unpacked, because some have preserved the form but not the substance. Some institutions are respectively or concurrently granting the means of production and subsistence to migrants and the poor, whereas other institutions are sources of inequality and disenfranchisement for these groups. By introducing the nuances and dynamics of *ghettos*, *favelas* and *barrios* in the West and in Latin America, I then deconstructed the standard perceptions that these informal settlements are merely hotbeds of poverty, crime, vice and despair. A more thorough analysis of the micro-mechanisms indicates that although the intermediaries rely on patronage, they are also ruling and producing using less coercive and predatory means.

The assumption that rural migrants are impoverished and unaided may fail to account for the drawback of their struggles and creativity. By visualising the inequality in wealth and power in urban villages, I traced the process through which dominance is negotiated and inequality is remedied, albeit inadequately from a normative perspective. Similarly, considering gentrification and neoliberalism as the only path to accelerated growth and modernity is not only uncritical but also unimaginative. Generally, as Jane Jacob's works and many studies of slums and informal neighbourhoods concur, the vitality of cities is seldom supported by skyscrapers, shopping malls, efficiency and order; rather, it is embodied in indigenous neighbourhoods, mixed land use, uncertainty and confusion. Specifically, China's community governance and reckless urban renewal hardly represent a form of societal progress. These measures depoliticise migrant enclaves, destroy informal polity and destabilise small businesses, which restricts for rural migrants the access to the means of production that is adequate to engage in city life. Overall, the value-added from gentrification or city appearance upgrade and redevelopment or urban mega projects has rarely benefited the migrants and the poor. Instead, this model buys off the native villagers

transiently and redistributes power and resources to the municipal authority, the *xitong* and the real estate developers perpetually.

Comparative cases suggest that the presence of resourceful intermediary associations and a networked rural community in the urban area may enable collective action and result in social instability. For example, the Red Shirts in Thailand, who largely represent and aggregate rural interests, challenged the incumbent government and widened social polarisation in the late 2000s.<sup>430</sup> Why have China's intermediaries not engaged in similar collective actions? In addition to the bargaining and payoff mechanisms discussed above is China's institutional precedent in the post-Mao era. Although there is a continuation of factional politics and increased tension between the central and local states and in the wake of decentralisation, the ruling regime, the CCP, has maintained its cohesion. With the discharge of the party's general secretary, Zhao Ziyang, who was accused of promoting party division and seeking external reinforcement during the 1989 democratic movement, political struggle, no matter how serious it is, has been firmly *contained* within the party-state. Despite achieving economic liberalisation, dissenters never had the opportunity to flourish. Before gaining a national footing or exercising credible threat, the dissenters had already been imprisoned or exiled. Simply put, there was no real alternative despite the multiple changes in the political structure. As elite cohesion has been regulated and maintained, the mobilisation capacity and horizontal networks of the grassroots associations remain latent. Compared to an ideal civil society, China's resourceful intermediaries are rooted in mediating social and public interests with the state, rather than the autonomous or proactive agents who advocate for a wider political agenda. This confirms our thesis that the vigour of an intermediate realm must not be detached from the historical-sociological context that it breeds and that shapes its relations to the state.

In short, I argue that urban China's structural stability or regulated contestation cannot be fully attributed to "authoritarian resilience" but is also linked to "social resilience" involving intermediaries and grassroots society.<sup>431</sup> In fact, if only one of the players, the state, is adaptive, then we should observe either the state penetrating and dominating the grassroots or the spread of structural instability and violent contention. However, neither of these trends is observed. Although formal institutions condition agency responses, they are,

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<sup>430</sup> Phongpaichit and Baker, 2008.

<sup>431</sup> Nathan, 2013; Hall and Lamont, 2013.

in turn, shaped by them. By accepting the grassroots order and prioritising economic goals, the inhabitants, including village bosses, clan chiefs, native villagers and rural migrants, exhibit differentiated and diversified engagement patterns with highly separate identities and calculative mentalities that add nuances to the concept of communal or kinship ties. Nevertheless, what has been absent from these dynamic enclaves, resourceful intermediaries and convenient exit points are not the tools for individual advancement but the desire for collective empowerment. This subject is of vital importance for students of democratisation and global capitalism, yet it is beyond the scope of this thesis.

The phenomenon of “development without slums” in China is thus better viewed as a particular manifestation of the prevalent social transformation in the early stages of urbanisation and capital accumulation. In this transformation, the contradictions between surviving socialist institutions and new market forces, between despotic and infrastructural power, and among different classes, localities and generations are deepened, bargained for and contained. On the one hand, China’s intensification of urbanisation and privatisation is associated with further restrictions on rural land rights, affordable shelters and adaptive intermediaries. On the other hand, electoral politics for rural migrants have formally been introduced, and the patterns of migration, residence and participation of new migrants are changing. In the midst of the structural changes, the aforesaid contradictions are likely to be preserved and novel intermediaries might well emerge. But whether their interplay will continue to satisfy the interests of grassroots actors who are in search of patronage and exit and the local state that is in need of growth and stability remain to be seen.

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